

Registration number 02872607

PETROFER U.K. PLC

Directors' report and financial statements

for the year ended 31 December 2003



PETROFER U.K. PLC

Company information

Directors	K. Abbott C.H.M. Fischer
Secretary	Mrs T.M Abbott
Company number	02872607
Registered office	Harcourt Business Park Halesfield 17 Telford TF7 4PW
Auditors	Tranter Lowe Bank House 66 High Street Dawley Telford
Business address	Harcourt Business Park Halesfield 17 Telford TF7 4PW
Bankers	Lloyds Bank Plc Business and Corporate Services Centre 3rd Floor 125 Colmore Row Birmingham

PETROFER U.K. PLC

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PETROFER U.K. PLC

Directors' report for the year ended 31 December 2003

The directors present their report and the financial statements for the year ended 31 December 2003.

Principal activity and review of the business

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

2003 was a difficult year for the UK's manufacturing industries with a resultant decline in the use of industrial oils and chemicals. In view of this, turnover declined by 5%, and the weakness of sterling also contributed significantly to the decline in the company's profitability. Prospects for 2004 are considerably more encouraging with signs of a recovery in both UK manufacturing and sterling's exchange rate against the Euro.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

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	
	31/12/03	01/01/03
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.

PETROFER U.K. PLC

**Directors' report
for the year ended 31 December 2003**

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

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.

This report was approved by the Board on 26/4/4 and signed on its behalf by T.M. Abbott

**Mrs T.M Abbott
Secretary**

PETROFER U.K. PLC

Independent auditors' report to the shareholders of PETROFER U.K. PLC

We have audited the financial statements of PETROFER U.K. PLC for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

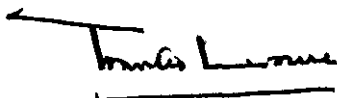
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

PETROFER U.K. PLC

Independent auditors' report to the shareholders of PETROFER U.K. PLC continued

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 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Tranter Lowe', is written over a horizontal line. A small arrow points to the start of the signature.

**Tranter Lowe
Chartered Accountants and
Registered Auditor**

Date: 6 May 2004

**Bank House
66 High Street
Dawley
Telford**

PETROFER U.K. PLC

Profit and loss account for the year ended 31 December 2003

		<i>Continuing operations</i>	
		2003	2002
	Notes	£	£
Turnover	2	2,241,527	2,357,858
Cost of sales		(1,405,160)	(1,418,615)
Gross profit		<u>836,367</u>	<u>939,243</u>
Distribution costs		(339,574)	(336,535)
Administrative expenses		(461,515)	(472,246)
Other operating income		<u>12,414</u>	<u>-</u>
Other interest receivable and similar income	4	2,226	551
Interest payable and similar charges	5	<u>(293)</u>	<u>(2,472)</u>
Profit on ordinary activities before taxation		49,625	128,541
Tax on profit on ordinary activities	8	<u>(18,510)</u>	<u>(40,319)</u>
Profit on ordinary activities after taxation		<u>31,115</u>	<u>88,222</u>
Retained profit for the year		31,115	88,222
Retained profit brought forward		<u>607,783</u>	<u>519,561</u>
Retained profit carried forward		<u><u>638,898</u></u>	<u><u>607,783</u></u>

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

The notes on pages 8 to 16 form an integral part of these financial statements.

PETROFER U.K. PLC

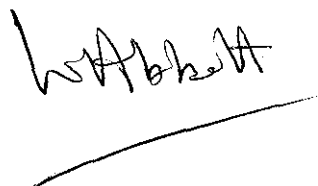
**Balance sheet
as at 31 December 2003**

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	9		50,887		71,547
Current assets					
Stocks	10	316,537		271,572	
Debtors	11	495,967		625,277	
Cash at bank and in hand		238,925		121,833	
		<u>1,051,429</u>		<u>1,018,682</u>	
Creditors: amounts falling due within one year	12	<u>(411,418)</u>		<u>(427,946)</u>	
Net current assets			<u>640,011</u>		<u>590,736</u>
Total assets less current liabilities			690,898		662,283
Provisions for liabilities and charges	13		(2,000)		(4,500)
Net assets			<u><u>688,898</u></u>		<u><u>657,783</u></u>
Capital and reserves					
Called up share capital	15		50,000		50,000
Profit and loss account			638,898		607,783
Equity shareholders' funds	16		<u><u>688,898</u></u>		<u><u>657,783</u></u>

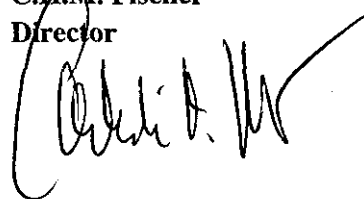
The financial statements were approved by the Board on

and signed on its behalf by

K. Abbott
Director



C.H.M. Fischer
Director



The notes on pages 8 to 16 form an integral part of these financial statements.

PETROFER U.K. PLC

Cash flow statement for the year ended 31 December 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		47,692	130,462
Depreciation		23,056	16,850
(Increase) in stocks		(44,965)	(69,995)
Decrease in debtors		129,310	(98,322)
(Decrease) in creditors		(11,790)	114,856
Net cash inflow from operating activities		<u>143,303</u>	<u>93,851</u>
Cash flow statement			
Net cash inflow from operating activities		143,303	93,851
Returns on investments and servicing of finance	20	1,933	(1,921)
Taxation	20	(25,749)	(85,184)
Capital expenditure	20	(2,395)	(10,818)
Increase in cash in the year		<u>117,092</u>	<u>(4,072)</u>
Reconciliation of net cash flow to movement in net funds (Note 21)			
Increase in cash in the year		117,092	(4,072)
Net funds at 1 January 2003		121,833	125,905
Net funds at 31 December 2003		<u>238,925</u>	<u>121,833</u>

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

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:

Laboratory equipment	-	15% per annum
Computer equipment	-	25% per annum
Office equipment	-	15% per annum
Motor vehicles	-	25% per annum

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

The company adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) during the financial year.

Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date.

Prior to the adoption of FRS 19, the company provided for deferred taxation only to the extent that timing differences were expected to materialise in the foreseeable future. The adoption of the new policy has been made by way of a prior year adjustment as though the revised policy had always been applied.

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 2003

..... continued

2. Turnover

	2003 £	2002 £
Class of business		
United Kingdom	2,225,501	2,352,473
Other EC Countries	16,026	5,385
	<u>2,241,527</u>	<u>2,357,858</u>
 Geographical market		
United Kingdom	2,225,501	2,352,473
Europe	16,026	5,385
	<u>2,241,527</u>	<u>2,357,858</u>

3. Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	23,056	16,850
Loss on foreign currencies	16,222	16,892
Operating lease rentals		
- Land and buildings	68,434	69,379
- Motor vehicles	-	15,064
Auditors' remuneration	4,031	3,525
	<u> </u>	<u> </u>

4. Interest receivable and similar income

	2003 £	2002 £
Bank interest	2,226	551
	<u> </u>	<u> </u>

5. Interest payable and similar charges

	2003 £	2002 £
On amounts payable to group companies	293	214
On overdue tax	-	2,258
	<u>293</u>	<u>2,472</u>

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

6. Employees

Number of employees	2003	2002
The average monthly numbers of employees (including the directors) during the year were:		
Production Staff	5	5
Office and Management	2	2
Administration Staff	5	5
	<u>12</u>	<u>12</u>

Employment costs	2003 £	2002 £
Wages and salaries	419,132	419,588
Social security costs	34,963	40,182
Other pension costs	21,153	20,716
	<u>475,248</u>	<u>480,486</u>

6.1. Directors' emoluments	2003 £	2002 £
Remuneration and other emoluments	107,895	116,157
Pension contributions	7,425	7,425
	<u>115,320</u>	<u>123,582</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

7. Pension costs

The company makes payments to individual schemes held by employees. The pension charge represents contributions due from the company and amounted to £21,153 (2002 - £20,716).

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

8. Tax on profit on ordinary activities

Analysis of charge in period	2003 £	2002 £
Current tax		
UK corporation tax	17,831	38,969
Adjustments in respect of previous periods	3,179	550
	<u>21,010</u>	<u>39,519</u>
Total current tax charge	<u>21,010</u>	<u>39,519</u>
Deferred tax		
Timing differences, origination and reversal	(2,500)	800
Total deferred tax	<u>(2,500)</u>	<u>800</u>
Tax on profit on ordinary activities	<u>18,510</u>	<u>40,319</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>49,625</u>	<u>128,541</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 December 2002 : 30%)	14,888	38,562
Effects of:		
Expenses not deductible for tax purposes	488	1,060
Capital allowances for period in excess of depreciation	2,455	(653)
Adjustments to tax charge in respect of previous periods	3,179	550
Current tax charge for period	<u>21,010</u>	<u>39,519</u>

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

9. Tangible fixed assets	Computer equipment	Laboratory equipment	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2003	40,255	68,158	39,450	7,740	155,603
Additions	2,395	-	-	-	2,395
At 31 December 2003	<u>42,650</u>	<u>68,158</u>	<u>39,450</u>	<u>7,740</u>	<u>157,998</u>
Depreciation					
At 1 January 2003	28,058	32,511	19,617	3,870	84,056
Charge for the year	12,796	5,348	2,976	1,935	23,055
At 31 December 2003	<u>40,854</u>	<u>37,859</u>	<u>22,593</u>	<u>5,805</u>	<u>107,111</u>
Net book values					
At 31 December 2003	<u>1,796</u>	<u>30,299</u>	<u>16,857</u>	<u>1,935</u>	<u>50,887</u>
At 31 December 2002	<u>12,197</u>	<u>35,647</u>	<u>19,833</u>	<u>3,870</u>	<u>71,547</u>

10. Stocks	2003 £	2002 £
Finished goods and goods for resale	<u>316,537</u>	<u>271,572</u>

11. Debtors	2003 £	2002 £
Trade debtors	455,928	570,626
Other debtors	30,000	29,311
Prepayments and accrued income	10,039	25,340
	<u>495,967</u>	<u>625,277</u>

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

12. Creditors: amounts falling due within one year	2003 £	2002 £
Trade creditors	6,447	10,579
Amounts owed to connected companies	226,431	216,071
Corporation tax	7,831	12,569
Other taxes and social security costs	98,529	107,127
Other creditors	18,005	24,106
Accruals and deferred income	54,175	57,494
	<u>411,418</u>	<u>427,946</u>

Lloyds TSB hold an Unlimited Debenture dated 23.3.1998.

13. Provisions for liabilities and charges

	Deferred taxation (Note 14) £	Total £
At 1 January 2003	4,500	4,500
Movements in the year	2,500	2,500
At 31 December 2003	<u>2,000</u>	<u>2,000</u>

14. Provision for deferred taxation	2003 £	2002 £
Accelerated capital allowances	<u>2,000</u>	<u>4,500</u>
Provision at 1 January 2003	4,500	
Deferred tax charge in profit and loss account	(2,500)	
Provision at 31 December 2003	<u>2,000</u>	

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

15. Share capital	2003	2002
	£	£
Authorised		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
16. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit for the year	31,115	88,222
Opening shareholders' funds	<u>657,783</u>	<u>569,561</u>
Closing shareholders' funds	<u>688,898</u>	<u>657,783</u>

17. Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	-	1,230
Between one and five years	-	-	-	19,279
In over five years	66,240	68,740	-	-
	<u>66,240</u>	<u>68,740</u>	<u>-</u>	<u>20,509</u>

PETROFER U.K. PLC

Notes to the financial statements for the year ended 31 December 2003

..... continued

18. 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 £811 (2002 - £7,184). Purchases from Petrofer Chemie £1,477,663 (2002 - £1,497,757). Balances outstanding in relation to these transactions are separately disclosed in the accounts.

19. Ultimate parent undertaking

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

20. Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	2,226	551
Interest paid	(293)	(2,472)
	<u>1,933</u>	<u>(1,921)</u>
Taxation		
Corporation tax paid	<u>(25,749)</u>	<u>(85,184)</u>
Capital expenditure		
Payments to acquire tangible assets	<u>(2,395)</u>	<u>(10,818)</u>

PETROFER U.K. PLC

**Notes to the financial statements
for the year ended 31 December 2003**

..... continued

21. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	121,833	117,092	238,925
Net funds	<u>121,833</u>	<u>117,092</u>	<u>238,925</u>