Registered No. 741008

WARNER-JENKINSON EUROPE LIMITED

Report and Financial Statements

30 September 1994

Oldmedow Road
Hardwick Industrial Estate
King's Lynn
Norfolk
PE30 4LA

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WARNER-JENKINSON EUROPE LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J N Elgar
T M O'Reilly
R J Schumert
C G R Tuchel
M A Wick

SECRETARY

D L Howard

REGISTERED OFFICE

Oldmedow Road
King's Lynn
Norfolk
PE30 4LA

BANKERS

National Westminster Bank plc
1 Bath Road
Hounslow
Middlesex
TW3 3BL

SOLICITORS

Nicholson, Graham & Jones
25-31 Moorgate
London
EC2R 6AR

AUDITORS

Touche Ross & Co.
Chartered Accountants
Leda House
Station Road
Cambridge
CB1 2RN

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 1994.

PRINCIPAL ACTIVITY

The company's principal activity is the manufacture and distribution of synthetic and natural colours and additives for the food, pharmaceutical and cosmetic industries.

REVIEW OF THE BUSINESS

The company accounts for the year ended 30 September 1994 now reflect the combined Warner-Jenkinson Europe business in King's Lynn.

DIVIDENDS AND TRANSFERS TO RESERVES

The results of the company for the year are set out in detail on Page 6.

The directors do not recommend the payment of a dividend and a retained profit of £780,347 has been transferred to reserves.

FUTURE PROSPECTS

The company will continue to focus its resources on providing technical support and quality products to meet a changing market place.

FIXED ASSETS

Changes in tangible fixed assets during the year are summarised in note 8 to the accounts.

An independent appraisal of the company's plant and machinery as at 31 March 1992 indicated a surplus over the book value on a net replacement cost basis of approximately £91,000. This surplus has not been brought into the financial statements.

DIRECTORS AND THEIR INTERESTS

The present directors, all of whom served throughout the year, are shown on Page 1.

None of the directors had a beneficial interest in the shares of the company or had any interests in shares of group companies at the end of the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made a political contribution of £100 and various charitable contributions totalling £245.

DIRECTORS' REPORT

AUDITORS

Touche Ross & Co have expressed their willingness to continue in office as auditors.

ELECTIVE RESOLUTIONS

At the Annual General Meeting held on the 29 December 1993 elective resolutions were passed to dispense with the following requirements

a) To lay directors' reports and financial statements before the members in general meeting
b) To hold Annual General Meetings
c) To appoint Auditors annually.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the Company has been continued through the newsletter in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are encouraged to participate directly in the success of the business through the application of T.Q.M. techniques, such as cross functional team work. The Company is committed to Continuous Improvement by investing in the training of employees. It aims to gain the "Investors in People" award in the fiscal year 1995.

SAFETY

Whilst the Company has a reputation for high safety standards, we remain committed to improving our accident prevention systems further. Our safety audit scheme continues to provide a useful measure of site performance against British Safety Council Standards, as well as identifying areas for improvement.

Our Loss Control Programme improved the British Safety Council Audit score by 31.8 percentage points and as a result in 1994 we achieved a 3 Star status (1993 1 Star Award). The Company is committed to achieving a 4 Star Award in the coming year.

Approved by the Board of Directors
and signed on behalf of the Board

D L Howard

D L Howard
Secretary

27 FEB 1995

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 as at the end of the financial year 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;
- 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 MEMBERS OF WARNER-JENKINSON EUROPE LIMITED

We have audited the financial statements on pages 6 to 19 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 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 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 30 September 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche

Touche Ross & Co.
Chartered Accountants
and Registered Auditors

12th May 1995

Leda House
Station Road
Cambridge
CB1 2RN

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1994

	Note	1994 £	1993 £
TURNOVER	2	16,380,169	12,847,671
Cost of sales		11,879,414	9,548,277
Gross profit		4,500,755	3,299,394
Distribution costs		1,671,356	1,104,403
Administrative expenses	5	1,230,881	1,401,235
		2,902,237	2,505,638
OPERATING PROFIT		1,598,518	793,756
Bank interest receivable		7,550	5,152
Interest payable and similar charges	4	(374,464)	(301,790)
		(366,914)	(296,638)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,231,604	497,118
Tax on profit on ordinary activities	6	451,257	180,028
PROFIT FOR THE FINANCIAL YEAR		780,347	317,090

STATEMENT OF MOVEMENT ON RESERVES

	Profit and Loss Account £
At 1 October 1993	1,681,574
Retained profit for the year	780,347
At 30 September 1994	2,461,921

All activities derive from continuing operations.

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1994

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit for the year. No statement of total recognised gains and losses has therefore been prepared.

Similarly, there have been no movements in shareholders' funds other than the profit for the year. No reconciliation of movements in shareholders' funds has therefore been prepared.

BALANCE SHEET
at 30 September 1994

	Note	1994 £	1993 £
FIXED ASSETS			
Intangible assets	7	68,750	143,750
Tangible assets	8	3,011,722	2,621,067
		3,080,472	2,764,817
CURRENT ASSETS			
Stocks	9	3,615,455	3,240,082
Debtors	10	3,538,366	4,182,548
Cash at bank and in hand		380,293	219,291
		7,534,114	7,641,921
CREDITORS: amounts falling due within one year	11	7,949,388	8,565,019
NET CURRENT LIABILITIES		(415,274)	(923,098)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,665,198	1,841,719
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	15	-	(4,125)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(116,226)	(68,969)
		2,548,972	1,768,625
CAPITAL AND RESERVES			
Called up share capital	14	87,051	87,051
Profit and loss account		2,461,921	1,681,574
EQUITY SHAREHOLDERS INTERESTS		2,548,972	1,768,625

These financial statements were approved by the Board of Directors

on 27 FEB 1995

Signed on behalf of the Board of Directors

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Intangible fixed assets represent payments for a non-competition covenant which was set for a period of four years. Amortisation is being charged in equal instalments over that period.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided at rates calculated to write off the assets over their estimated useful lives. The rates of depreciation are as follows:

Freehold buildings	4% per annum on cost
Plant and machinery	10% per annum on cost
Motor vehicles	25% per annum on written down value
Computer equipment	20% per annum on cost

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

1. ACCOUNTING POLICIES CONTD.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives or the life of the lease whichever is shorter. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company operates money purchase contributory pension schemes for which contributions are charged monthly in the profit and loss account as they accrue.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date or if appropriate at a forward contract rate. These translation differences are dealt with in the profit and loss account.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

2. TURNOVER

Turnover represents amounts derived from the provision of goods which fall within the company's ordinary activities after deduction of value added tax. Turnover arises from the sales of synthetic and natural colours in the UK and abroad.

Geographical analysis of turnover:	1994 £	1993 £
United Kingdom	6,858,140	5,143,911
Overseas	9,522,029	7,703,760
	16,380,169	12,847,671

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994 £	1993 £
Directors' emoluments		
Management remuneration	114,873	71,312
Remuneration of the chairman	-	-
Remuneration of the highest paid director	106,475	66,984

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES CONTD.

Scale of other directors' remuneration	1994 No.	1993 No.
£ 0 - £ 5,000	3	3

Transactions involving directors

J. N. Elgar is a partner of Nicholson, Graham & Jones, the company's solicitors. Charges for services rendered by the firm in the year amounted to £19,482 (1993 - £7,722).

Average number of persons employed	1994	1993
Production	97	92
Sales and distribution	36	17
Administration	20	19
	153	128

Staff costs during the year (including directors)	1994 £	1993 £
Wages and salaries	2,632,706	2,222,073
Social security costs	224,279	180,900
Pension costs	224,397	139,684
	3,081,382	2,542,657

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1994 £	1993 £
Bank loans, overdrafts and other loans repayable within five years	35,899	123,684
Finance charges - finance leases and hire purchase	11,904	12,224
Group interest	206,984	165,882
Financing charge for debt factoring	119,677	-
	374,464	301,790

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:	1994 £	1993 £
Depreciation and amortisation		
Owned assets	386,699	216,699
Leased assets	42,650	115,260
Amortisation	75,000	37,500
Auditors' remuneration		
audit fees	36,500	36,000
other services	30,773	7,250
Rentals under operating leases		
Hire of plant & machinery	20,233	-
Other operating leases	175,893	147,443
Exceptional charge included in administration expenses:		
Restructuring costs	-	165,200

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £	1993 £
Taxation is based on the result for the year and comprises:		
Group relief payable	425,000	175,165
Deferred taxation	49,000	25,252
	474,000	200,417
Adjustments to prior years' tax provisions		
Group relief payable	22,000	-
Corporation tax	(43,000)	(4,891)
Deferred taxation	(1,743)	(15,498)
	451,257	180,028

The tax charge for the year has been increased by £44,000 (1993 - £29,000) due to the disallowance for tax purposes of amortisation of intangible assets and depreciation on capital expenditure which did not qualify for capital allowances.

Tax on profit on ordinary activities of £425,000 (1993 - £175,165) has then been relieved by the surrender of losses by other group companies in exchange for a payment of the same amount.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

7. INTANGIBLE FIXED ASSETS

	Non-competition covenant £
Cost	
At 1 October 1993 and 30 September 1994	300,000
Amortisation	
At 1 October 1993	156,250
Provided during the year	75,000
At 30 September 1994	231,250
Net Book Value	
At 30 September 1994	68,750
At 30 September 1993	143,750

8. TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 October 1993	1,066,583	3,053,779	128,934	4,249,296
Reclassification	22,795	(22,795)	-	-
Additions	353,667	484,667	-	838,334
Disposals	-	(131,887)	(41,379)	(173,266)
At 30 September 1994	1,443,045	3,383,764	87,555	4,914,364
Depreciation				
At 1 October 1993	54,574	1,499,147	74,508	1,628,229
Charge for the year	35,310	378,914	15,125	429,349
Disposals	-	(124,341)	(30,595)	(154,936)
At 30 September 1994	89,884	1,753,720	59,038	1,902,642
Net Book Value				
At 30 September 1994	1,353,161	1,630,044	28,517	3,011,722
At 30 September 1993	1,012,009	1,554,632	54,426	2,621,067

The net book value of plant and machinery and motor vehicles includes an amount of Nil (1993 - £53,181) in respect of assets held under finance leases and hire purchase contracts.

Included in freehold land and buildings is land with a cost of £372,267 which is not depreciated.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

9. STOCKS

	1994	1993
	£	£
Raw materials and consumables	682,927	346,838
Work in progress	370,715	207,692
Finished goods and goods for resale	2,561,813	2,685,552
	3,615,455	3,240,082

In the opinion of the directors, the estimated replacement costs exceed the above costs by an amount which is not material.

10. DEBTORS

	1994	1993
	£	£
Trade debtors (see note 11)	3,057,917	3,347,614
Amounts owed by group undertakings		
Fellow subsidiaries	311,306	654,683
Other debtors	97,047	108,772
Prepayments and accrued income	72,096	71,479
	3,538,366	4,182,548

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994	1993
	£	£
Bank Loans and Overdrafts (note 12)	6	1,708,978
Trade creditors	842,236	1,181,006
Obligations under finance leases and hire purchase contracts	-	69,675
Amounts owed to group undertakings	6,454,378	4,797,676
Corporation tax	22,199	24,005
Other taxes and social security	71,427	69,577
Other creditors	3,251	-
Accruals and deferred income	555,891	714,102
	7,949,388	8,565,019

Included in amounts owed to group undertakings is £809,452 advanced under a factoring arrangement against the company's trade debtors.

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

12. BANK LOANS AND OVERDRAFTS

	1994 £	1993 £
Due within one year		
Loans and overdraft	6	708,978
Acceptances	-	1,000,000
	6	1,708,978

The bank loans and overdrafts are guaranteed by the Parent Company and fellow subsidiaries within the UK Group.

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Balance at 1 October 1993	68,969
Provision - current year	49,000
- prior year	(1,743)
Balance at 30 September 1994	116,226

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1994 £	Provided 1993 £	Not Provided 1994 £	Not Provided 1993 £
Capital allowances in advance of depreciation	161,000	141,825	56,000	49,019
Other timing differences	(44,774)	(72,856)	-	-
	116,226	68,969	56,000	49,019

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

14. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted and fully paid		
87,051 ordinary shares of £1 each	87,051	87,051

15. FINANCIAL COMMITMENTS

Capital Commitments	1994 £	1993 £
Contracted for but not provided	158,254	98,565
Authorised but not yet contracted for	717,364	161,137

Obligations under finance leases and hire purchase contracts	1994 £	1993 £
Minimum lease payments due:		
within one year	-	79,245
within 2 to 5 years	-	4,886
	-	84,131
Finance charges allocated to future periods	-	10,331
	-	73,800
Finance leases and HP contracts are analysed as follows:		
Due within one year	-	69,675
Due after more than one year	-	4,125
	-	73,800

NOTES TO THE ACCOUNTS
for the year ended 30 September 1994

15. FINANCIAL COMMITMENTS CONTD.

Operating lease commitments
At 30 September 1994, the company was committed to making the following payments during the next year in respect of operating leases:

	Other	Land and buildings
	£	£
Leases which expire:		
Within 1 year	17,406	8,800
Within 2 to 5 years	53,928	28,970
After 5 years	-	70,093
	71,334	107,863

Forward Exchange Contracts:
At 30 September 1994 the company had entered into the following forward exchange contracts:

	1994	1993
	£	£
Contracts hedging current liabilities	194,301	-
Contracts hedging future payments	363,837	-
	558,138	-

16. CONTINGENT LIABILITIES

The company has entered into cross guarantees in respect of bank facilities of group undertakings. At 30 September 1994 the amount drawn down under the facilities by other group undertakings was £292,496 (1993 - £281,592).

The company was a party at 30 September 1994 to a guarantee to National Westminster Bank plc in respect of Customs & Excise duty and value added tax on imports of £200,000. No liability is expected to arise in the normal course of business.

17. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Universal Foods Corporation, a company incorporated in the United States of America. This is the parent undertaking of the largest group for which group accounts are prepared. The parent undertaking of the smallest such group is Universal Foods (UK) Limited, a company registered in England and Wales. Copies of the group financial statements of Universal Foods Corporation are filed at the Securities and Exchange Commission, Washington D.C. Copies of the group financial statements of Universal Foods (UK) Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.