



Revertex Chemicals Limited

Accounts 31 December 1998
together with directors' and auditors' reports

Registered number: 2201740



Directors' report

For the year ended 31 December 1998

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1998.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs and of the profit or loss of the company for that year. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 enable them to ensure that the accounts 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.

Principal activities and business review

The company has two principal activities. Oxford Chemicals is engaged in the manufacture of aroma chemicals for use in the flavour and fragrance industries. Lithene liquid polybutadiene polymers have use in chlorinated paint, rubber cable compounds, surface coatings and automotive sealants. A third business, Bactria Biocides, was disposed of during the year.

The company saw modest growth in sales and profit on a like-for-like basis with strong performances in some territories being largely offset by the effects of the strong pound and economic difficulties in the Asian region. Operating profit for the year was £2,467,000, (1997 - £2,484,000).

Directors' report (continued)

Results and dividends

The profit for the year after taxation amounted to £1,789,507 (1997 - £1,815,330). A dividend of £1,894,580 was paid to the holders of the ordinary shares during the year (1997 - £1,533,000), leaving a balance of £(105,073) (1997 - £282,330) for transfer (from) to reserves.

	£'000
Retained profit at 31 December 1997	2,205
Loss for the financial year	<u>(105)</u>
Retained profit at 31 December 1998	<u>2,100</u>

Future developments

The company will continue to work to expand its global sales coverage and is investing in additional capacity within both of its businesses. Opportunities for acquisition are being explored in particular to strengthen the Oxford market position.

Directors and their interests

The directors who served during the year are as shown below:

J. Bell	Chairman
M.J.F. Rogers	
M. Garner	(resigned 30 November 1998)
M. Gujral	(resigned 16 February 1999)
R.D. Noble	

The directors' interests in shares of the ultimate holding company were as follows:

	31 December 1998		31 December 1997	
	Ordinary shares	Options	Ordinary shares	Options
J. Bell	5,969	79,762	670	45,755
M.J.F. Rogers	8,025	17,478	1,098	15,804

The directors who held office at 31 December 1998 had no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Supplier payment policy

The company's policy is to make payments to creditors and other suppliers in accordance with terms of payment agreed at the time of contract, subject to all terms and conditions of the order being satisfied by the supplier. During the year, the company has not followed any code or standard on payment practice.

Average creditor days for 1998 were 50 (1997 - 48).

Directors' report (continued)

Year 2000

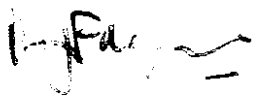
A group-wide programme has been established to ensure that all information and operational systems are Year 2000 compliant. Much of the necessary replacement of equipment and upgrading of systems is already in place; all outstanding hardware and software issues have been identified and are being methodically addressed. Progress is being reported at regular intervals to the Group Executive Committee, which is responsible for supervising the implementation of the work required. We are co-operating with customers and suppliers to minimise the risks of business disruption.

As equipment and systems are continually being renewed and upgraded according to the needs of each business we consider that only a minor element of total computer costs are solely related to the Millennium issue.

Auditors

PriceWaterhouseCoopers (previously Price Waterhouse) resigned as auditors during the year and the directors appointed Arthur Andersen to fill the casual vacancy that was created. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



M.J.F. Rogers

Director

19 February 1999

Auditors' report

Manchester

To the Shareholders of Revertex Chemicals Limited:

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

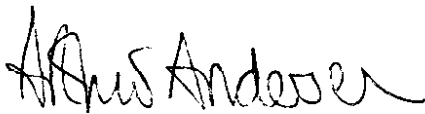
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

19 February 1999

Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover	2(a)		
- continuing operations		11,453	11,254
- discontinued operations		1,608	3,107
		<u>13,061</u>	<u>14,361</u>
Cost of sales		<u>(7,782)</u>	<u>(8,606)</u>
Gross profit	2(b)	5,279	5,755
Distribution costs		(1,646)	(1,870)
Administrative and other expenses		<u>(1,166)</u>	<u>(1,401)</u>
Operating profit	2(b)	2,467	2,484
Interest receivable and similar income		76	111
Interest payable and similar charges	3	<u>(75)</u>	<u>(68)</u>
Profit on ordinary activities before taxation	4	2,468	2,527
Tax on profit on ordinary activities	7	<u>(678)</u>	<u>(712)</u>
Profit on ordinary activities after taxation		1,790	1,815
Dividend paid		<u>(1,895)</u>	<u>(1,533)</u>
(Loss) profit, for the financial year		(105)	282
Retained profit, brought forward		<u>2,205</u>	<u>1,923</u>
Retained profit, carried forward		<u>2,100</u>	<u>2,205</u>

There were no recognised gains or losses in either year other than the profit for the financial year.

A statement of movements on reserves is given in note 17.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	9	<u>3,829</u>	<u>3,218</u>
Current assets			
Stocks	10	1,601	2,597
Debtors	11	2,009	2,309
Cash at bank and in hand		<u>375</u>	<u>11</u>
		3,985	4,917
Creditors: Amounts falling due within one year	12	<u>(2,825)</u>	<u>(2,901)</u>
Net current assets		<u>1,160</u>	<u>2,016</u>
Total assets less current liabilities		4,989	5,234
Creditors: Amounts falling due after more than one year	13	(889)	(1,029)
Provisions for liabilities and charges	14	<u>-</u>	<u>-</u>
Net assets		<u>4,100</u>	<u>4,205</u>
Capital and reserves			
Called-up share capital	16	2,000	2,000
Profit and loss account	17	<u>2,100</u>	<u>2,205</u>
Equity shareholders' funds		<u>4,100</u>	<u>4,205</u>

Signed on behalf of the Board

R.D. Noble



Director

19 February 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1998

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under with the historical cost convention and have been prepared with applicable accounting standards.

b) Depreciation

Depreciation is calculated to write off the cost of the fixed assets over their expected useful lives. The annual rates and bases for this purpose are set out below.

Freehold buildings	2% to 4% straight line
Property improvements	10% to 20% straight line
Plant and machinery	10% to 20% straight line
Motor vehicles	33% straight line
Computer and hi-tech equipment	33% straight line

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs represent expenses incurred in bringing the product to its present location and condition.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which are expected to reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, are not likely to reverse.

e) Turnover

Turnover represents the net invoiced value of sales, excluding value added tax, of goods supplied within the company's ordinary activities.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Foreign currency transactions

Transactions denominated in foreign currencies are recorded in pounds sterling at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date, or where appropriate, at the rate of exchange in a forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

g) Lease commitments

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

h) Government grants

Government grants received in respect of capital expenditure are credited to deferred income and released to the profit and loss account over the lives of the relevant assets. Grants received in respect of specific projects are released to the profit and loss accounts over the period of the project.

i) Pension costs

The company participates in a group funded defined benefit scheme.

Pension costs charged to the profit and loss account represents the contributions payable in the year.

2 Segment information

a) Turnover

Turnover arose entirely from the principal activities of the company as follows:

	1998 £'000	1997 £'000
United Kingdom	3,218	4,188
Europe	5,254	5,394
North America	2,432	1,595
Other	2,157	3,184
	<hr/> 13,061	<hr/> 14,361

Notes to accounts (continued)

2 Segment information (continued)

b) Cost of sales, gross profit and operating profit

	1998			1997		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Cost of sales	(6,679)	(1,103)	(7,782)	(6,575)	(2,031)	(8,606)
Gross profit	4,774	505	5,279	4,679	1,076	5,755
Distribution costs	(1,398)	(248)	(1,646)	(1,324)	(546)	(1,870)
Administrative and other expenses	(1,131)	(35)	(1,166)	(1,173)	(228)	(1,401)
Operating profit	2,245	222	2,467	2,182	302	2,484

3 Interest payable and similar charges

	1998 £'000	1997 £'000
Bank overdrafts and other loans wholly repayable within five years	75	68

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1998 £'000	1997 £'000
Hire of plant and machinery under operating leases	93	105
Depreciation	552	566
Amortisation of grant	(140)	(140)
Auditors' remuneration		
- audit services	10	19
- non-audit services	3	5
Staff costs (see note 5)	2,455	2,437
Research and development	425	609

5 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1998 £'000	1997 £'000
Employee costs during the year amounted to:		
Wages and salaries	2,228	2,187
Social security costs	168	169
Other pension costs (see note 20b)	59	81
	2,455	2,437

Notes to accounts (continued)

5 Staff costs (continued)

The average monthly number of persons employed by the company during the year was as follows:

	1998 Number employed	1997 Number employed
Production	45	42
Sales and distribution	29	30
Administration, research and development and technical	24	28
	<u>98</u>	<u>100</u>

6 Directors' remuneration

Remuneration

Directors' remuneration in respect of directors of the company was as follows:

	1998 £'000	1997 £'000
Emoluments	254	221
Company contributions to defined benefits schemes	14	13
	<u>268</u>	<u>234</u>

The above amounts do not include the value of any shares or share options, received in the parent company under long term incentive schemes. No director exercised any share options in the year (1997 - Nil) and shares options were received or receivable under long term incentive schemes by one director (1997 - one).

Pensions

Four directors were members of the defined benefits pension scheme (1997 - four).

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1998 £'000	1997 £'000
Emoluments	<u>80</u>	<u>69</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 1998 was £33,962 (1997 - £32,129).

Notes to accounts (continued)

7 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1998 £'000	1997 £'000
Corporation tax at 31% (1997 - 31.5%)	689	771
Deferred tax	-	(36)
Adjustment in respect of prior years		
- current taxation	(11)	(23)
	<u>678</u>	<u>712</u>

8 Dividends paid

	1998 £'000	1997 £'000
Ordinary		
- paid in the year	<u>1,895</u>	<u>1,533</u>

9 Fixed assets

The movement in the year was as follows:

	Freehold property £'000	Plant, machinery and equipment £'000	Total £'000
Cost			
At 1 January 1998	1,409	4,984	6,393
Additions	521	1,036	1,557
Disposals	(59)	(784)	(843)
At 31 December 1998	<u>1,871</u>	<u>5,236</u>	<u>7,107</u>
Depreciation			
At 1 January 1998	170	3,005	3,175
Charge for year	51	501	552
Disposals	(7)	(442)	(449)
At 31 December 1998	<u>214</u>	<u>3,064</u>	<u>3,278</u>
Net book value			
At 31 December 1998	<u>1,657</u>	<u>2,172</u>	<u>3,829</u>
At 31 December 1997	<u>1,239</u>	<u>1,979</u>	<u>3,218</u>

Notes to accounts (continued)

10 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	238	676
Work-in-progress	57	99
Finished goods and goods for resale	1,306	1,822
	<u>1,601</u>	<u>2,597</u>

11 Debtors

	1998 £'000	1997 £'000
Trade debtors	1,467	1,805
Amounts owed by group undertakings	346	235
Amounts owed by undertakings in which the group has a participating interest	-	16
Other debtors	172	200
Prepayments and accrued income	24	53
	<u>2,009</u>	<u>2,309</u>

12 Creditors: Amounts falling due within one year

	1998 £'000	1997 £'000
Bank loans and overdrafts	263	711
Trade creditors	699	552
Amounts owed to group undertakings	14	42
Amounts owed to undertakings in which the group has a participating interest	284	164
Other creditors		
- VAT		
- corporation tax payable	689	771
- social security and PAYE	52	57
- other creditors	127	62
Accruals and deferred income	697	542
	<u>2,825</u>	<u>2,901</u>

Notes to accounts (continued)

13 Creditors: Amounts falling due after more than one year

	1998 £'000	1997 £'000
Bank loans	500	500
Accruals and deferred income (note 15)	389	529
	<u>889</u>	<u>1,029</u>

The ECSC loan of £500,000 was drawn down in 1995 and is repayable by one instalment in 2000. Interest on the loan is payable at 8.3% subject to a rebate of up to 3% per annum from the European Coal and Steel Community for a period of five years 1995 - 2000.

Analysis of borrowings

Borrowings are repayable as follows:

	1998 £'000	1997 £'000
Due within five years		
- within 1-2 years	500	-
- within 2-5 years	-	500
Total borrowings	<u>500</u>	<u>500</u>

14 Provisions for liabilities and charges

Deferred taxation provided in the accounts is as follows:

	1998 £'000	1997 £'000
Accelerated capital allowances, and other short term timing differences:		
Provision at 31 December 1997	-	36
Credited to profit and loss account	-	(36)
Provision at 31 December 1998	<u>-</u>	<u>-</u>

An analysis of deferred taxation included in the accounts and the unprovided liability is as follows:

	Provided		Unprovided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Accelerated capital allowances	-	-	576	422
Other short term timing differences	-	-	(121)	(206)
	<u>-</u>	<u>-</u>	<u>455</u>	<u>216</u>

Notes to accounts (continued)

15 Deferred income

	Regional and selective financial assistance £'000	Local development grant £'000	Total £'000
At 31 December 1997	375	154	529
Released to profit and loss account	<u>(87)</u>	<u>(53)</u>	<u>(140)</u>
At 31 December 1998	<u>288</u>	<u>101</u>	<u>389</u>

The above grants relate to the company's development of a chemicals plant at Seaton Carew, Teesside. The Selective Financial Assistance and Regional Selective Assistance grant are being released to the profit and loss account over a 7 year period.

The Local Development grant is being released over a 5 year period.

In certain circumstances these grants may be repayable.

16 Called-up share capital

	1998 £'000	1997 £'000
<i>Authorised, allotted, called-up and fully-paid</i>		
2,000,000 (1997 - 2,000,000) ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

17 Reserves

	Profit and loss account £'000
At 31 December 1997	2,205
Loss for the financial year	<u>(105)</u>
At 31 December 1998	<u>2,100</u>

Notes to accounts (continued)

18 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year	1,790	1,815
Dividends paid	<u>(1,895)</u>	<u>(1,533)</u>
Net (reduction in) addition to shareholders' funds	(105)	282
Opening shareholders' funds	<u>4,205</u>	<u>3,923</u>
Closing shareholders' funds	<u>4,100</u>	<u>4,205</u>

19 Cash flow information

As permitted by Financial Reporting Standard No. 1 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Yule Catto & Co plc which prepares group accounts that are publicly available.

20 Guarantees and other financial commitments

a) Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total annual rental for 1998 was £93,000 (1997 - £105,000). The lease agreements provide that the company will pay all insurance.

The minimum annual rentals under the foregoing leases are as follows:

	1998 £'000	1997 £'000
Operating leases which expire		
- within 1 year	19	11
- within 2 - 5 years	<u>42</u>	<u>99</u>
	<u>61</u>	<u>110</u>

Notes to accounts (continued)

20 Guarantees and other financial commitments (continued)

b) Pension arrangements

The company participates in a group funded defined benefit scheme (the Yule Catto Group Retirement Benefits Scheme) together with a number of associated companies. The assets of the Scheme are held separately from those of the companies concerned. The contributions are determined by a qualified actuary on the basis of regular valuations using the 'projected unit' method. The most recent valuation was at 6 April 1997. Details of the scheme and of the latest actuarial valuation are contained in the accounts of Yule Catto & Co plc.

The pension charge for the period amounted to £59,000 (1997 - £81,000). There is no provision or prepayment accumulated in the balance sheet.

c) Contingent liabilities

The company is part of a cross guarantee arrangement with Yule Catto & Co plc, Yule Catto Group Limited and Midland Bank.

d) Capital commitments

At 31 December 1998 capital commitments contracted but not provided for were £1,147,000 (1997 - £182,000).

21 Related party transactions

As a subsidiary undertaking of Yule Catto & Co plc, the company has taken advantage of the exemption in FRS8 "Related party disclosures", not to disclose transactions with other members of the group headed by Yule Catto & Co plc.

22 Ultimate parent company

The company is a subsidiary undertaking of Yule Catto & Co plc, registered in England and Wales.

The largest and smallest group of which the company is a member and for which group accounts are drawn up is that headed by Yule Catto & Co plc whose principal place of business is at Temple Fields, Harlow, Essex CM20 2BH