

Company Registration No. 2201740

OXFORD CHEMICALS LIMITED

Report and Financial Statements

31 December 2003

**Deloitte & Touche LLP
Leeds**



OXFORD CHEMICALS LIMITED

2003 REPORT AND FINANCIAL STATEMENTS

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OXFORD CHEMICALS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J. Bell
R.J.A. Smith
J.R. Johnson (resigned 30 November 2003)
E.J.T. Hillman (resigned 28 February 2003)
D.A. Weston (appointed 2 January 2003)
M. E. Neeson (appointed 16 June 2003)

SECRETARY

R. Atkinson

REGISTERED OFFICE

Temple Fields
Central Road
Harlow
Essex
CM20 2BH

BANKERS

HSBC
112 York Road
Hartlepool
Cleveland
TS26 0DF

SOLICITORS

Eversheds
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

AUDITOR

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

OXFORD CHEMICALS LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company's principal activity is the manufacture of aroma chemicals for use in the flavour and fragrance industries.

Sales increased in some territories and in Europe a new distribution partnership has been successfully established. These positive effects were insufficient to offset a decline in activity in other sales territories and overall sales declined in value from the previous year. Operating profit for the year was £686,000, (2002: £1,827,000).

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £331,000 (2002 £1,459,000). A dividend of £994,000 (2002: £1,280,000) was paid to the holders of the ordinary shares during the year, leaving a loss of £663,000 (2002: profit £179,000) for transfer from reserves.

	£'000
Retained profit at 1 January 2003	2,848
Profit for the financial year	331
Ordinary dividend of 50p per share	(994)
	<hr/>
Retained profit at 31 December 2003	2,185
	<hr/>

FUTURE DEVELOPMENTS

A new strategic partnership is in place for distribution throughout the NAFTA region. The company will continue to work to expand its global sales coverage through technical advancement and investment in both human resources and additional capacity.

DIRECTORS AND THEIR INTERESTS

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

J. Bell	(Chairman)
R.J.A. Smith	
J.R. Johnson	(resigned 30 November 2003)
E.J.T. Hillman	(resigned 28 February 2003)
D.A. Weston	(appointed 2 January 2003)
M. E. Meeson	(appointed 16 June 2003)

The directors' interests in the shares of the ultimate parent company, Yule Catto & Co. plc were as follows:

	31 December 2003		31 December 2002	
	Ordinary shares	Options	Ordinary shares	Options
J. Bell	7,132	203,441	46,431	152,023
R.J.A. Smith	-	5,219	-	5,219
E.J.T. Hillman	-	4,677	-	4,307
J.R. Johnson	-	-	-	-
D.A. Weston	-	-	-	-
M.E. Meeson	-	-	-	-
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The directors who held office at 31 December 2003 had no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

OXFORD CHEMICALS LIMITED

DIRECTORS' REPORT (continued)

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 2003 were 67 (2002: 63).

AUDITOR

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



R.J.A. Smith

Director

27TH FEBRUARY 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; and
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OXFORD CHEMICALS LIMITED

We have audited the financial statements of Oxford Chemicals Limited for the year ended 31 December 2003 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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.

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 for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds

27 February 2004

OXFORD CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TURN OVER	2	9,506	10,589
Cost of sales		(5,798)	(5,912)
GROSS PROFIT		3,708	4,677
Distribution costs		(1,217)	(1,378)
Administrative expenses		(1,805)	(1,472)
OPERATING PROFIT	4	686	1,827
Interest payable and similar charges	5	(90)	(54)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		596	1,773
Tax on profit on ordinary activities	6	(265)	(314)
PROFIT FOR THE FINANCIAL YEAR		331	1,459
Dividends	7	(994)	(1,280)
RETAINED (LOSS)/PROFIT TRANSFERRED (FROM)/TO RESERVES	15	(663)	179

All results are derived from continuing operations.

There is no difference between profit for the financial year as stated and profit for the financial year on a historical cost basis in either of the years presented above.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2003

There are no recognised gains and losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

OXFORD CHEMICALS LIMITED

BALANCE SHEET 31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	4,163	4,491
CURRENT ASSETS			
Stocks	9	1,746	2,060
Debtors	10	1,570	1,796
Cash at bank and in hand		92	281
		3,408	4,137
CREDITORS: amounts falling due within one year	11	(2,958)	(3,309)
NET CURRENT ASSETS		450	828
TOTAL ASSETS LESS CURRENT LIABILITIES		4,613	5,319
PROVISIONS FOR LIABILITIES AND CHARGES	12	(428)	(471)
NET ASSETS		4,185	4,848
CAPITAL AND RESERVES			
Called up share capital	13	2,000	2,000
Profit and loss account	14	2,185	2,848
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	4,185	4,848

These financial statements were approved by the Board of Directors on 27th FEBRUARY 2004
Signed on behalf of the Board of Directors

R.J.A. Smith

R.J.A. Smith
Director

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

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.

Basis of accounting

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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost of the fixed assets over their expected useful lives. The annual rates, on a straight line basis are set out below.

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

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.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

In accordance with FRS 19, "Deferred Tax", full provision is made on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

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

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.

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 the profit and loss account in equal annual amounts over the periods of the leases.

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES (continued)

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 account over the period of the project.

Research and development

All revenue expenditure associated with research and development activities is written off in the year of expenditure.

Pension costs

The company participates in a group funded defined benefit scheme (see note 17) and a money purchase scheme. Pension costs charged to the profit and loss account represents the contributions payable in the year.

2. SEGMENTAL INFORMATION

Turnover arose entirely from the principal activities of the company. The geographical analysis of turnover by destination is as follows:

	2003 £'000	2002 £'000
United Kingdom	1,480	1,736
Rest of Europe	4,038	4,827
North America	1,252	1,482
Other	2,736	2,544
	<u>9,506</u>	<u>10,589</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' remuneration		
Emoluments	227	231
Pension contributions to money purchase scheme	6	5
Compensation for loss of office	55	-
	<u>288</u>	<u>236</u>

Pensions

One director was a member of the defined benefits pension scheme (2002: one). Four directors were members of the defined contribution scheme (2002: two).

Highest paid director

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

	2003 £'000	2002 £'000
Emoluments	55	98
Company contributions to money purchase schemes	-	3
Compensation for loss of office	30	-
	<u>85</u>	<u>101</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2003 was £5,295 (2002 - £nil).

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2003 £'000	2002 £'000
Staff costs during the year (including directors)		
Wages and salaries	1,944	2,238
Social security costs	171	178
Other pension costs (note 17)	129	142
	<u>2,244</u>	<u>2,558</u>

	No.	No.
Average number of persons employed		
Production	48	54
Sales and distribution	16	15
Administration	21	21
	<u>85</u>	<u>90</u>

4. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	743	688
Amortisation of grant	(19)	(43)
Rentals under operating leases		
Hire of plant and machinery	45	49
Research and development	162	226
Staff costs (see note 3)	2,244	2,558
Auditors' remuneration audit fees	10	10
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Interest payable on loans and overdrafts	<u>90</u>	<u>54</u>

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30% (2002 – 30%) based on the profit for the year	(258)	(533)
Adjustment in respect of prior years	(50)	108
Total current taxation	(308)	(425)
Deferred taxation:		
Timing differences, origination and reversal	43	-
Adjustment in respect of prior years	-	111
	(265)	(314)

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2002 – 30%).

	2003 £'000	2002 £'000
The differences are explained below:		
Profit on ordinary activities before tax	596	1,773
Tax at 30% thereon:	(179)	(532)
Effects of:		
Expenses not deductible for tax purposes	(36)	(1)
Depreciation in excess of capital allowances	(43)	-
Adjustment in respect of prior years	(50)	108
Current tax charge for the year	(308)	(425)

7. DIVIDENDS

	2003 £'000	2002 £'000
Dividend paid of 50p (2002: 64p per ordinary share)	994	1,280

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant, machinery and equipment £'000	Total £'000
Cost			
At 1 January 2003	1,986	6,872	8,858
Additions	-	415	415
At 31 December 2003	1,986	7,287	9,273
Depreciation			
At 1 January 2003	437	3,930	4,367
Charge for the year	81	662	743
At 31 December 2003	518	4,592	5,110
Net book value			
At 31 December 2002	1,549	2,942	4,491
At 31 December 2003	1,468	2,695	4,163

9. STOCKS

	2003 £'000	2002 £'000
Raw materials and consumables	330	515
Work in progress	86	147
Finished goods and goods for resale	1,330	1,398
	1,746	2,060

There is no material difference between the balance sheet value of stocks and their replacement cost.

10. DEBTORS

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Trade debtors	969	1,177
Amounts owed by group undertakings	346	356
Other debtors	48	61
Prepayments and accrued income	207	202
	1,570	1,796

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2003

11. CREDITORS: amounts falling due within one year

	2003 £'000	2002 £'000
Bank loans and overdrafts	1,484	1,724
Trade creditors	834	1,087
Amounts owed to group undertakings	125	23
UK corporation tax	116	183
Other taxes and social security	63	55
Other creditors	53	89
Accruals and deferred income	283	148
	<u>2,958</u>	<u>3,309</u>

Analysis of deferred income included in the above:

	Grant £'000
At 1 January 2002	19
Released to profit and loss account	(19)
At 31 December 2003	<u>-</u>

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements is as follows:

	2003 £'000
Provision at 1 January 2003	471
Credited to profit and loss account	(43)
Provision at 31 December 2003	<u>428</u>

Deferred taxation relates to accelerated capital allowances.

13. CALLED-UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised, allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

OXFORD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

14. RESERVES

	Profit and loss account £'000
At 1 January 2003	2,848
Profit for the financial year	331
Dividends paid	(994)
At 31 December 2003	<u>2,185</u>

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	331	1,459
Dividends paid	(994)	(1,280)
Net (reduction in)/addition to equity shareholders' funds	<u>(663)</u>	<u>179</u>
Opening equity shareholders' funds	4,848	4,669
Closing equity shareholders' funds	<u>4,185</u>	<u>4,848</u>

16. CASH FLOW INFORMATION

As permitted by FRS 1 (Revised 1996), 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 financial statements that are publicly available.

17. 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 2003 was £45,000 (2002: £49,000). The lease agreements provide that the company will pay all insurance.

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

	2003 £'000	2002 £'000
Operating leases which expire		
- within one year	-	5
- within two to five years	40	30
	<u>40</u>	<u>35</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

(b) Pension arrangements

The company participates in funded defined benefit scheme (The Yule Catto Group Retirement Benefits Scheme) together with a number of other Yule Catto Group companies. The assets of the scheme are held separately from those of the company or any of the Yule Catto Group of companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company.

The Group's defined benefit scheme was closed to new members with effect from 31 December 1998. On 1 January 1999 the Group introduced a defined contribution scheme which is open to all eligible Group employees. Details of the schemes and of the most recent actuarial valuations are given in the financial statements of Yule Catto & Co plc.

The pension charge for the year amounted to £129,000 (2002: £142,000).

In accordance with FRS 17, the company will account for its contributions to the Defined Benefit scheme as if it were a Defined Contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme prepared for the purpose of making transitional disclosure in accordance with FRS 17 in the consolidated financial statements of the parent show a net pension liability of £48.9m at 31 December 2003.

Further details of this valuation can be found in the annual report of the parent company.

(c) Contingent liabilities

The company has cross guaranteed overdrafts and banking facilities of other group companies.

(d) Capital commitments

At 31 December 2003 capital commitments contracted but not provided for were £204,000 (2002: £87,000).

18. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Yule Catto & Co. plc, the company has taken advantage of the exemption in FRS 8 "Related party disclosures", not to disclose transactions with other members of the group headed by Yule Catto & Co. plc.

19. 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 financial statements are drawn up is that headed by Yule Catto & Co. plc whose principal place of business is at Temple Fields, Harlow, Essex CM20 2BH.