

**OXFORD CHEMICALS LIMITED**

**Report and Financial Statements**

**31 December 2005**

**Deloitte & Touche LLP**  
**Leeds**



# **OXFORD CHEMICALS LIMITED**

## **2005 REPORT AND FINANCIAL STATEMENTS**

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# **OXFORD CHEMICALS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

R.J.A. Smith  
D.A. Weston  
M.E. Meeson  
A. Walker (Chairman)  
S. Cummins

### **SECRETARY**

R. Atkinson

### **REGISTERED OFFICE**

Temple Fields  
Central Road  
Harlow  
Essex  
CM20 2BH

### **BANKERS**

HSBC  
112 York Road  
Hartlepool  
Cleveland  
TS26 9DF

### **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 2005.

### 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 increases in Europe and Latin America were offset by decreases in NAFTA. Turnover and profit were impacted by price competition in finished products and increasing raw material costs. Focus continued on the development of emerging markets in the Far East and EU acquisition states. In R&D, work continues on application of biotechnology and process intensification. The cost base was maintained in line with trading conditions.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,122,000 (2004: £792,000). A dividend of £689,000 (2004: £475,000) was proposed to the holders of the ordinary shares during the year, leaving a profit of £433,000 (2004: profit of £317,000) transferred to reserves.

	£'000
Retained profit at 1 January 2005	2,502
Profit for the financial year	1,122
Ordinary dividend of 34p per share	(689)
	<hr/>
Retained profit at 31 December 2005	2,935
	<hr/>

### FUTURE DEVELOPMENTS

The company will continue its focus on emerging markets and expand its sales coverage through further investment in human resources. Investment will continue in development of technical resources and partnership with selected service providers.

### DIRECTORS AND THEIR INTERESTS

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

A. Walker (Chairman)  
R.J.A. Smith  
D.A. Weston  
M.E. Meeson  
S. Cummins

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

	31 December 2005		31 December 2004	
	Ordinary shares	Options	Ordinary shares	Options
A. Walker	367,383	490,104	367,285	522,230
R.J.A. Smith	-	6,571	-	5,219
D.A. Weston	-	-	-	-
M.E. Meeson	-	-	-	-
S. Cummins	59,117	284,120	59,117	295,191
	<hr/>	<hr/>	<hr/>	<hr/>

The directors who held office at 31 December 2005 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 2005 were 58 (2004: 58).

### AUDITOR

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

24 February 2006

**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 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 19. 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 United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Leeds

**28** February 2006

# OXFORD CHEMICALS LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
<b>TURNOVER</b>	2	9,043	9,580
Cost of sales		(6,095)	(5,872)
<b>GROSS PROFIT</b>		2,948	3,708
Distribution costs		(1,058)	(1,151)
Administrative expenses		(1,298)	(1,405)
<b>OPERATING PROFIT</b>	4	592	1,152
Interest payable and similar charges	5	(35)	(57)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		557	1,095
Tax on profit on ordinary activities	6	565	(303)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,122	792
Equity dividends	7	(689)	(475)
<b>RETAINED PROFIT TRANSFERRED TO RESERVES</b>	15	433	317

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 2005

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 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	3,350	3,807
<b>CURRENT ASSETS</b>			
Stocks	9	1,387	1,622
Debtors	10	2,173	1,529
Cash at bank and in hand		145	81
		3,705	3,232
<b>CREDITORS: amounts falling due within one year</b>	11	(2,120)	(2,149)
<b>NET CURRENT ASSETS</b>		1,585	1,083
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,935	4,890
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	-	(388)
<b>NET ASSETS</b>		4,935	4,502
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	13	2,000	2,000
Profit and loss account	14	2,935	2,502
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	15	4,935	4,502

These financial statements were approved by the Board of Directors on 24 February 2006.

Signed on behalf of the Board of Directors



R.J.A. Smith

Director

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

### 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 United Kingdom 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	25% to 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

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:

	2005 £'000	2004 £'000
United Kingdom	1,680	1,895
Rest of Europe	3,242	3,709
North America	788	1,392
Other	3,333	2,584
	<u>9,043</u>	<u>9,580</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £'000	2004 £'000
<b>Directors' remuneration</b>		
Emoluments	204	197
Pension contributions to money purchase scheme	9	8
	<u>213</u>	<u>205</u>

**Pensions**

No director was a member of the defined benefits pension scheme (2004: none). Three directors were members of the defined contribution scheme (2004: three).

**Highest paid director**

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

	2005 £'000	2004 £'000
Emoluments	89	85
Company contributions to money purchase schemes	5	4
	<u>94</u>	<u>89</u>

# OXFORD CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

A. Walker and S. Cummins at 31 December 2005 are also the directors of Yule Catto & Co plc, and other fellow subsidiary companies. All remuneration is borne by Yule Catto & Co plc and it is not practicable to ascertain the proportion of these directors' emoluments that specifically relate to the company.

	2005 £'000	2004 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,721	1,764
Social security costs	163	169
Other pension costs (note 17)	240	281
	<u>2,124</u>	<u>2,214</u>
	No.	No.
<b>Average number of persons employed</b>		
Production	41	42
Sales and distribution	12	13
Administration	19	20
	<u>72</u>	<u>75</u>

### 4. OPERATING PROFIT

	2005 £'000	2004 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation	648	681
Rentals under operating leases:		
Hire of plant and machinery	41	41
Research and development	198	216
Staff costs (see note 3)	2,124	2,214
Auditors' remuneration:		
Audit fees	13	10
(Gain)/loss on foreign exchange	(54)	11
	<u></u>	<u></u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest payable on loans and overdrafts	<u>35</u>	<u>57</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2005**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30%		
(2004 – 30%) based on the profit for the year	(303)	(374)
Adjustment in respect of prior years	94	31
	<u>(209)</u>	<u>(343)</u>
Total current taxation		
Deferred taxation:		
Timing differences, origination and reversal	194	40
Deferred tax adjustments for prior years	580	-
	<u>565</u>	<u>(303)</u>

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2004 – 30%).

	2005 £'000	2004 £'000
The differences are explained below:		
Profit on ordinary activities before tax	557	1,095
	<u>(167)</u>	<u>(329)</u>
Tax at 30% thereon:		
Effects of:		
Expenses not deductible for tax purposes	43	(5)
Depreciation in excess of capital allowances	(194)	(40)
Adjustment in respect of prior years	94	31
Tax benefit from research and development	15	-
	<u>(209)</u>	<u>(343)</u>

**7. EQUITY DIVIDENDS**

	2005 £'000	2004 £'000
Interim dividend paid of 21p (2004: 18p) per ordinary share	423	353
Final dividend proposed of 13p (2004: 6p) per ordinary share	266	122
	<u>689</u>	<u>475</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2005**

**8. TANGIBLE FIXED ASSETS**

	Freehold Property and property improvement £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2005	1,986	7,612	9,598
Additions	-	191	191
At 31 December 2005	1,986	7,803	9,789
<b>Depreciation</b>			
At 1 January 2005	597	5,194	5,791
Charge for the year	79	569	648
At 31 December 2005	676	5,763	6,439
<b>Net book value</b>			
At 31 December 2005	1,310	2,040	3,350
At 31 December 2004	1,389	2,418	3,807

Included within plant, machinery and equipment are fixed assets under the course of construction with a cost of £72,000 (2004: £43,000). These are not depreciated until commissioned.

**9. STOCKS**

	2005 £'000	2004 £'000
Raw materials and consumables	239	279
Work in progress	62	75
Finished goods and goods for resale	1,086	1,268
	1,387	1,622

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

**10. DEBTORS**

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Trade debtors	1,174	984
Amounts owed by group undertakings	421	347
Other debtors	31	28
Prepayments and accrued income	161	170
Deferred tax asset (see note 12)	386	-
	2,173	1,529

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2005**

**11. CREDITORS: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	571	541
Trade creditors	684	774
Amounts owed to group undertakings	351	295
UK corporation tax	199	223
Other taxes and social security	46	48
Other creditors	4	3
Accruals and deferred income	265	265
	<u>2,120</u>	<u>2,149</u>

The company has cross guaranteed overdrafts and banking facilities of other group companies. The amount outstanding on the group facility at 31 December 2005 was £7,184,000 (2004 - £64,148,000).

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation provided in the financial statements is as follows:

	<b>£'000</b>
Provision at 1 January 2005	388
Credited to profit and loss account	(774)
	<u>(386)</u>
Asset at 31 December 2005 (see note 10)	<u>(386)</u>

Deferred taxation relates to accelerated capital allowances. There are no amounts of unprovided deferred tax in the current or prior year.

**13. CALLED-UP SHARE CAPITAL**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised, allotted, called-up and fully paid</b>		
2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

**14. RESERVES**

	<b>Profit and loss account £'000</b>
At 1 January 2005	2,502
Profit for the financial year	1,122
Dividends paid and proposed	(689)
	<u>2,935</u>
At 31 December 2005	<u>2,935</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2005**

**15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2005 £'000	2004 £'000
Profit for the financial year	1,122	792
Dividends paid and proposed	(689)	(475)
Net addition to equity shareholders' funds	<u>433</u>	<u>317</u>
Opening equity shareholders' funds	4,502	4,185
Closing equity shareholders' funds	<u><u>4,935</u></u>	<u><u>4,502</u></u>

**16. CASH FLOW INFORMATION**

As permitted by FRS 1, 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 lease agreements provide that the company will pay all insurance. The minimum annual rentals under the foregoing leases are as follows:

	2005 £'000	2004 £'000
Operating leases which expire		
- within one year	11	9
- within two to five years	<u>14</u>	<u>21</u>
	<u><u>25</u></u>	<u><u>30</u></u>

**(b) Pension arrangements**

The company participates in a 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. Pension costs charged to the profit and loss account represents the contributions payable in the year.

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 period was £240,000 (2004: £281,000).

In accordance with FRS17, 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 disclosures in accordance with FRS17 in the consolidated financial statements of the parent show a net pension liability of £57.6m at 31 December 2005.

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

**(c) Contingent liabilities**

The company has cross guaranteed overdrafts and banking facilities of other group companies. The amount outstanding on the group facility at 31 December 2005 was £7,184,000 (2004 - £64,148,000).

**(d) Capital commitments**

At 31 December 2005 capital commitments contracted but not provided for were £4,000 (2004: £34,000).



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2005**

**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 SA (300) Limited, registered in England and Wales, and the ultimate parent company is Yule Catto & Co. plc, also 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.