

REVERTEX CHEMICALS LIMITED
(Registered Number 2201740)

DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 1997



REVERTEX CHEMICALS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The company has three principal businesses. Oxford Chemicals is engaged in the manufacture of aroma chemicals for use in the flavour and fragrance industries, Bactria Biocides produces formulated industrial biocides used by synthetic latex/emulsion manufacturers and by the paint, metal working, adhesives etc industries, and Lithene liquid polybutadiene polymers have use in chlorinated paint, rubber cable compounds, surface coatings and automotive sealants.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £1,815,000 (1996 - £1,459,000). A dividend of £1,533,000 was paid to the holders of the Ordinary Shares during the period (1996 - £100,000), leaving a balance of £282,000 (1996 - £1,359,000) for transfer from/to reserves.

REVIEW OF THE BUSINESS

The company saw continued growth in sales and profit on a like for like basis with Oxford Chemicals and Lithene performing strongly. Operating profit for the year was £2,484,000 (1996 - £2,157,000).

FUTURE DEVELOPMENTS

The company will continue to work to expand its global sales coverage and will invest in additional capacity as needed. Opportunities for acquisition are being explored in particular to strengthen the Oxford market position.

EVENTS SINCE THE BALANCE SHEET DATE

There have been no events since the balance sheet date which materially affect the position of the company.

REVERTEX CHEMICALS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors during the period were:

J Bell (Chairman)
M J F Rogers
M Garner
M Gujral
R D Noble

None of the directors holds any shares in the company directly.

FIXED ASSETS

The changes in the tangible fixed assets of the company are summarised in note 7 of the accounts.

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 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

POLICY ON PAYMENT OF CREDITORS

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 the terms and conditions of the order being satisfied by the supplier.

Average creditor days for 1997 were 48 (1996 - 57).

REVERTEX CHEMICALS LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Price Waterhouse have expressed their willingness to be re-appointed as auditors and a resolution to this effect will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'M J F Rogers', with a horizontal line underneath.

M J F Rogers
Director
25 March 1998

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF REVERTEX CHEMICALS LIMITED

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 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 31 December 1997 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

25 March 1998

REVERTEX CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	Year ended <u>31 December 1997</u> £'000	Year ended <u>31 December 1996</u> £'000
TURNOVER	1, 17	14,361	14,104
Cost of sales		<u>(8,606)</u>	<u>(8,627)</u>
GROSS PROFIT		5,755	5,477
Distribution costs		(1,870)	(1,783)
Administrative and other expenses		<u>(1,401)</u>	<u>(1,537)</u>
OPERATING PROFIT		2,484	2,157
Interest receivable and similar income		111	51
Interest payable and similar charges	6	<u>(68)</u>	<u>(39)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,527	2,169
Tax on profit on ordinary activities	3	<u>(712)</u>	<u>(710)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,815	1,459
DIVIDEND ON ORDINARY SHARES		<u>(1,533)</u>	<u>(100)</u>
		282	1,359
RETAINED PROFIT BROUGHT FORWARD		<u>1,923</u>	<u>564</u>
RETAINED PROFIT CARRIED FORWARD		2,205	1,923
		<u><u> </u></u>	<u><u> </u></u>

All results refer to continuing operations.

The company has no recognised gains or losses other than the profit for the year.

There is no material difference between the reported profits and the historical cost profits for 1997 and 1996.

The notes on pages 8 to 17 form part of these accounts.

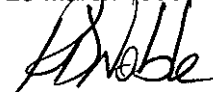
REVERTEX CHEMICALS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	7	3,218	3,134
CURRENT ASSETS			
Stocks	8	2,597	2,829
Debtors	9	2,309	2,117
Cash at bank and in hand		<u>11</u>	<u>104</u>
		4,917	5,050
CREDITORS: Amounts falling due within one year	10	<u>(2,901)</u>	<u>(3,056)</u>
NET CURRENT ASSETS		<u>2,016</u>	<u>1,994</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,234	5,128
CREDITORS: Amounts falling due after more than one year	11	(500)	(500)
PROVISION FOR LIABILITIES AND CHARGES	12	<u>-</u>	<u>(36)</u>
		4,734	4,592
DEFERRED INCOME	13	529	669
CAPITAL AND RESERVES			
Called up share capital	14	2,000	2,000
Profit and loss account		<u>2,205</u>	<u>1,923</u>
EQUITY SHAREHOLDERS' FUNDS		<u>4,205</u>	<u>3,923</u>
		4,734	4,592

APPROVED BY THE BOARD ON

25 March 1998



R D Noble
Director

The notes on pages 8 to 17 form part of these accounts.

REVERTEX CHEMICALS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1997

	Year ended <u>31 December 1997</u> £'000	Year ended <u>31 December 1996</u> £'000
Profit on ordinary activities after taxation	1,815	1,459
Dividend paid	<u>(1,533)</u>	<u>(100)</u>
Net addition to shareholders' funds	282	1,359
Opening shareholders' funds	<u>3,923</u>	<u>2,564</u>
Closing shareholders' funds	<u>4,205</u>	<u>3,923</u>

The notes on pages 8 to 17 form part of these accounts.

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

The principal accounting policies adopted by the company in the preparation of the accounts are as follows:

(1) Accounting convention

The accounts have been prepared in accordance with the historical cost convention and applicable Accounting Standards.

(2) 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 25% straight line
Motor vehicles	25% to 33% reducing balance
Computer and hi-tech equipment	25% to 33% straight line

(3) Stocks

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

(4) Deferred taxation

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is reasonable probability that the tax deferral will crystallise in the foreseeable future.

(5) Hire purchase liability

Provision is made for the outstanding capital elements on hire purchase agreements. Interest is written off over the period of the payments, using the straight-line method.

(6) Turnover

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

(7) Foreign currency transactions

Translation differences on foreign currency transactions are dealt with in the profit and loss account.

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(8) 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.

(9) 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.

(10) Pension costs

Pension costs are charged to the profit and loss account as incurred.

(11) Cashflow statement

The company has not presented its own cashflow statement as permitted by Financial Reporting Standard No 1 "Cashflow Statements" on the grounds that it is included in the accounts of the parent company. Details of the cashflows of the group may be found in the accounts of Yule Catto & Co plc.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Auditors' remuneration audit	19	19
non audit services	5	11
Depreciation	566	477
Grant release	(140)	(114)
Bank interest receivable	(111)	(51)
Hire of plant and machinery	105	76
Research and development	<u>609</u>	<u>567</u>

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

3 TAXATION

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Corporation Tax:		
Current year at 31.5% (1996 - 33%)	771	680
Prior year	(23)	18
Deferred taxation:		
Current year	<u>(36)</u>	<u>12</u>
Taxation charge	<u>712</u>	<u>710</u>

4 EMPLOYEES

Staff costs including directors:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Wages and salaries	2,187	1,967
Social security costs	169	165
Other pension costs	<u>81</u>	<u>75</u>
	<u>2,437</u>	<u>2,207</u>

The average number of employees during the period was made up as follows:

	Year ended 31 December 1997 No	Year ended 31 December 1996 No
Technical and production	55	53
Sales, distribution and administration	<u>45</u>	<u>40</u>
	<u>100</u>	<u>93</u>

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

5 DIRECTORS' EMOLUMENTS

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Aggregate emoluments	234	274
	==	==

The emolument of the highest paid director were as follows:-

Total amount of emoluments	69	88
Defined benefit scheme accrued pension at end of year	32	
	==	==

Retirement benefits are accruing to 4 (1996: 4) directors under the defined benefits pension scheme.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
On bank loans and overdrafts wholly repayable within five years	68	38
Hire purchase interest	—	1
	68	39
	==	==

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Freehold <u>property</u> £'000	Plant and machinery <u>and equipment</u> £'000	<u>Total</u> £'000
Cost			
At 1 January 1997	1,420	4,329	5,749
Additions	204	667	871
Disposals	(215)	(12)	(227)
	—	—	—
At 31 December 1997	1,409	4,984	6,393
	==	==	==
Depreciation			
At 1 January 1997	120	2,495	2,615
Charge for year	50	516	566
Disposals	-	(6)	(6)
	—	—	—
At 31 December 1997	170	3,005	3,175
	==	==	==
Net book value			
At 31 December 1997	1,239	1,979	3,218
	==	==	==
At 31 December 1996	1,300	1,834	3,134
	==	==	==

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

8 STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Raw materials and consumables	676	725
Work in progress	99	33
Finished goods	<u>1,822</u>	<u>2,071</u>
	2,597	2,829
	<u> </u>	<u> </u>

9 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Trade debtors	1,805	1,780
Amounts owed by group undertakings	235	226
Amounts owed by undertakings in which the group has a participating interest	16	25
Other debtors	200	42
Prepayments and accrued income	<u>53</u>	<u>44</u>
	2,309	2,117
	<u> </u>	<u> </u>

10 CREDITORS: Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Bank loan - ECSC	-	31
Bank overdraft	711	812
Trade creditors	552	838
Other creditors	62	181
Corporation tax	771	706
Other taxation and social security	57	53
Accruals and deferred income	542	373
Hire purchase liabilities	-	1
Amounts owed to group undertakings	42	9
Amounts owed to undertakings in which the group has a participating interest	<u>164</u>	<u>52</u>
	2,901	3,056
	<u> </u>	<u> </u>

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

11 CREDITORS: Amounts falling due after more than one year

Repayable wholly or partly within five years:

	<u>1997</u> £'000	<u>1996</u> £'000
Bank loan -ECSC	500	500
	<u> </u>	<u> </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.

12 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts is as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Accelerated Capital Allowances, and other short term timing differences:		
Provision at 31 December 1996	36	24
Charged/(credited) to profit and loss account	<u>(36)</u>	<u>12</u>
Provision at 31 December 1997	<u>-</u>	<u>36</u>

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

	<u>1997</u> £'000	<u>Provided</u> <u>1996</u> £'000	<u>1997</u> £'000	<u>Unprovided</u> <u>1996</u> £'000
Accelerated capital allowances	-	254	422	225
Other short term timing differences	<u>-</u>	<u>(218)</u>	<u>(206)</u>	<u>(87)</u>
	-	36	216	138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

13 DEFERRED INCOME

	Regional/ Selective Financial Assistance £'000	Local Development grant £'000	Total £'000
At 1 January 1997	462	207	669
Received during the year	-	-	-
Released to profit and loss account	(87)	(53)	(140)
At 31 December 1997	375	154	529
	<u> </u>	<u> </u>	<u> </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.

14 SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised		
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid		
2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

15 BANK GUARANTEES

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

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

16 PENSION COSTS

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 1994. Details of the scheme and of the latest actuarial valuation are contained in the financial statements of Yule Catto & Co plc.

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

17 TURNOVER

Analysis by geographical destination:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
United Kingdom	4,188	3,646
Europe	5,394	6,144
USA	1,595	1,426
Other	<u>3,184</u>	<u>2,888</u>
	14,361	14,104
	<u> </u>	<u> </u>

18 LEASE COMMITMENTS

	1997 £'000	1996 £'000
Annual commitments payable on operating leases expiring:		
Within one year	11	3
One to five years	<u>99</u>	<u>74</u>
	110	77
	<u> </u>	<u> </u>

REVERTEX CHEMICALS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

19 CAPITAL COMMITMENTS

	<u>1997</u> £'000	<u>1996</u> £'000
Contracted for but not provided	182	35
Authorised but not contracted for	—	—
	<u>182</u>	<u>35</u>

20 ULTIMATE HOLDING COMPANY

The ultimate holding company and controlling party which prepares group accounts is Yule Catto & Co plc, a company incorporated in Great Britain and registered in England.

Copies of the Yule Catto group accounts may be obtained from Temple Fields, Harlow, Essex, CM20 2BH.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related party transactions", as the consolidated accounts of Yule Catto & Co plc in which the company is included are available at the address noted above.