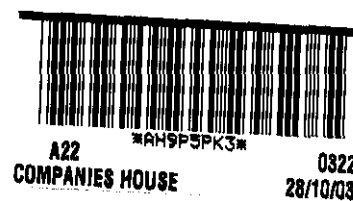


**OXFORD CHEMICALS LIMITED**

**Report and Financial Statements**

**31 December 2002**

**Deloitte & Touche  
Leeds**



**2002 REPORT AND FINANCIAL STATEMENTS**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account and Statement of total recognised gains and losses</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J. Bell  
R.J.A. Smith  
J.R. Johnson  
E.J.T. Hillman  
D.A. Weston

**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

**AUDITORS**

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Leeds

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

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

The company saw modest growth in sales volumes. A strong performance in some territories was offset by the effects of the strong pound. Sales in other territories were impacted by a general downturn in economic activity. Operating profit for the year was £1,827,000, (2001 - £2,221,000).

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £1,459,000 (2001 (Restated) - £1,448,000). A dividend of £1,280,000 (2001 - £1,452,000) was paid to the holders of the ordinary shares during the year, leaving a profit of £179,000 (2001 (Restated) - £4,000 loss) for transfer to reserves.

	<b>£'000</b>
Retained profit at 1 January 2002 (As restated)	2,669
Profit for the financial year	1,459
Ordinary dividend of 64p per share	(1,280)
	<hr/>
Retained profit at 31 December 2002	<u>2,848</u>

### **FUTURE DEVELOPMENTS**

The company will continue to work to expand its global sales coverage through technical advancement and investment in both human resources and additional capacity. The development of strategic partnerships is being explored to strengthen Oxford Chemicals Limited's market position.

### **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	
E.J.T. Hillman	
D.A. Weston	(appointed 2 January 2003)

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

	<b>31 December 2002</b>		<b>31 December 2001</b>	
	<b>Ordinary shares</b>	<b>Options</b>	<b>Ordinary shares</b>	<b>Options</b>
J. Bell	46,431	152,023	29,288	123,274
R.J.A. Smith	-	5,219	-	2,880
E.J.T. Hillman	-	4,307	-	2,150
	<hr/>	<hr/>	<hr/>	<hr/>

The directors who held office at 31 December 2002 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 2002 were 63 (2001 - 65).

**DIRECTORS' REPORT (continued)**

**AUDITORS**

Arthur Anderson resigned as auditors on 31 July 2002. The directors appointed Deloitte & Touche to fill the casual vacancy. The directors will place a resolution before the Annual General Meeting to appoint Deloitte & Touche as auditors for the ensuing year.

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



R.J.A. Smith

Director

28<sup>th</sup> FEBRUARY 2003

## **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 SHAREHOLDERS OF  
OXFORD CHEMICALS LIMITED**

We have audited the financial statements of Oxford Chemicals Limited for the year ended 31 December 2002 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses and the related notes 1 to 20. 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.

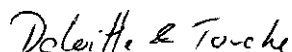
**Basis of opinion**

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors  
Leeds

14 March 2003

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £'000	2001 £'000 (Restated)
<b>TURNOVER</b>	2	10,589	10,652
Cost of sales		(5,912)	(5,735)
<b>GROSS PROFIT</b>		4,677	4,917
Distribution costs		(1,378)	(1,256)
Administrative expenses		(1,472)	(1,440)
<b>OPERATING PROFIT</b>	4	1,827	2,221
Interest payable and similar charges (net)	5	(54)	(44)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,773	2,177
Tax on profit on ordinary activities	6	(314)	(729)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,459	1,448
Dividends	7	(1,280)	(1,452)
<b>RETAINED PROFIT/(LOSS) TRANSFERRED TO/(FROM) RESERVES</b>		179	(4)

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.

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2002**

	2002 £'000	2001 £'000 (Restated)
<b>Profit for the financial year</b>	1,459	1,448
<b>Total recognised gains and losses relating to the year</b>	1,459	
Prior year adjustment (note 8)	(354)	
<b>Total gains and losses recognised since the last financial statements</b>	1,105	

The accompanying notes are an integral part of this statement of total recognised gains and losses.



**BALANCE SHEET**  
**31 December 2002**

	Note	2002 £'000	2001 £'000 (Restated)
<b>FIXED ASSETS</b>			
Tangible assets	9	4,491	4,580
<b>CURRENT ASSETS</b>			
Stocks	10	2,060	2,030
Debtors	11	1,796	1,549
Cash at bank and in hand		281	666
		4,137	4,245
<b>CREDITORS: amounts falling due within one year</b>	12	(3,309)	(3,574)
<b>NET CURRENT ASSETS</b>		828	671
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,319	5,251
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(471)	(582)
		4,848	4,669
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	2,000	2,000
Profit and loss account	15	2,848	2,669
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	16	4,848	4,669

These financial statements were approved by the Board of Directors on **28<sup>th</sup> FEBRUARY 2003**  
Signed on behalf of the Board of Directors

*R.J.A. Smith*

R.J.A. Smith  
Director

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

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2002

#### 1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which (with the exception of Taxation) 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", which was adopted during the period, 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.

The adoption of FRS 19 has given rise to a prior period adjustment of £354,000 in respect of deferred taxation.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2002

#### 1. ACCOUNTING POLICIES (continued)

##### 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.

##### 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 18) 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:

	2002 £'000	2001 £'000
United Kingdom	1,736	2,175
Rest of Europe	4,827	4,076
North America	1,482	1,987
Other	2,544	2,414
	<u>10,589</u>	<u>10,652</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
<b>Directors' remuneration</b>		
Emoluments	231	194
Pension contributions to money purchase scheme	5	4
	<u>236</u>	<u>198</u>

**Pensions**

One director was a member of the defined benefits pension scheme (2001 - one). Two directors were members of the defined contribution scheme (2001 - two).

**Highest paid director**

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

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Emoluments	98	82
Company contributions to money purchase schemes	3	1
	<u>101</u>	<u>83</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2002 was £nil (2001 - £nil).

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,238	1,973
Social security costs	178	176
Other pension costs (note 18)	142	103
	<u>2,558</u>	<u>2,252</u>

	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Production	54	56
Sales and distribution	15	13
Administration	21	20
	<u>90</u>	<u>89</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

**4. OPERATING PROFIT**

	2002 £'000	2001 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation – owned assets	688	647
Amortisation of grant	(43)	(63)
Rentals under operating leases		
Hire of plant and machinery	49	46
Research and development	226	260
Staff costs (see note 3)	2,558	2,252
Auditors' remuneration		
audit fees	10	10
	<u>10</u>	<u>10</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES (NET)**

	2002 £'000	2001 £'000
Interest payable on loans and overdrafts	(54)	(56)
Interest receivable	-	12
	<u>(54)</u>	<u>(44)</u>

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

	2002 £'000	2001 £'000 (Restated)
United Kingdom corporation tax at 30% (2001 – 30%) based on the profit for the year	(533)	(653)
Adjustment in respect of prior years	108	-
Total current taxation	(425)	(653)
Deferred taxation:		
Timing differences, origination and reversal	-	(76)
Adjustment in respect of prior years	111	-
	<u>(314)</u>	<u>(729)</u>

The restatement of previous years' figures is as a result of the adoption of FRS 19 "Deferred Tax". See note 8 for further details.

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2001 – 30%).

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The differences are explained below:

	2002 £'000	2001 £'000 (Restated)
Profit on ordinary activities before tax	1,773	2,177
Tax at 30% thereon:	(532)	(653)
Effects of:		
Expenses not deductible for tax purposes	(1)	-
Capital allowances in excess of depreciation	-	-
Adjustment in respect of prior years	108	-
Current tax charge for the year	(425)	(653)

**7. DIVIDENDS**

	2002 £'000	2001 £'000
Dividend paid of 64p (2001: 72p) per ordinary share	1,280	1,452

**8. PRIOR YEAR ADJUSTMENT**

The company's policy for recognising deferred taxation assets and liabilities changed during the year to implement FRS 19 "Deferred Tax". The comparative figures in the primary statements and notes have been restated to reflect the new policy. The effects of the change in policy are summarised below:

	2002 £'000	2001 £'000
<b>Profit and loss account</b>		
Tax on profit on ordinary activities	(111)	76
Increase/(decrease) in profit for the financial year	111	(76)
<b>Balance sheet</b>		
Increase/(decrease) in deferred tax liability	243	354
Increase/(decrease) in net assets	(243)	(354)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

**9. TANGIBLE FIXED ASSETS**

	<b>Freehold property £'000</b>	<b>Plant, machinery and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2001	1,932	6,327	8,259
Additions	54	545	599
At 31 December 2002	1,986	6,872	8,858
<b>Depreciation</b>			
At 1 January 2002	360	3,319	3,679
Charge for the year	77	611	688
At 31 December 2002	437	3,930	4,367
<b>Net book value</b>			
At 1 January 2002	1,572	3,008	4,580
At 31 December 2002	1,549	2,942	4,491

**10. STOCKS**

	<b>2002 £'000</b>	<b>2001 £'000</b>
Raw materials and consumables	515	380
Work in progress	147	305
Finished goods and goods for resale	1,398	1,345
	2,060	2,030

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

**11. DEBTORS**

	<b>2002 £'000</b>	<b>2001 £'000</b>
Amounts falling due within one year:		
Trade debtors	1,177	1,074
Amounts owed by group undertakings	356	344
Other debtors	61	51
Prepayments and accrued income	202	80
	1,796	1,549

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

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

	2002 £'000	2001 £'000
Bank loans and overdrafts	1,724	106
Trade creditors	1,087	730
Amounts owed to group undertakings	23	1,755
UK corporation tax	183	360
Other taxes and social security	55	60
Other creditors	89	50
Accruals and deferred income	148	513
	<u>3,309</u>	<u>3,574</u>

Analysis of deferred income included in the above:

	Regional and selective financial assistance £'000	Local Development Grant £'000	Total £'000
At 1 January 2002	61	1	62
Released to profit and loss account	<u>(42)</u>	<u>(1)</u>	<u>(43)</u>
At 31 December 2002	<u>19</u>	<u>-</u>	<u>19</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.

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation provided in the financial statements is as follows:

	2002 £'000
Provision at 1 January 2002 (As previously stated)	228
Prior year adjustment (note 8)	<u>354</u>
Provision at 1 January 2002 (Restated)	582
Credited to profit and loss account	<u>(111)</u>
Provision at 31 December 2002	<u>471</u>

Deferred taxation relates to accelerated capital allowances.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2002**

**14. CALLED-UP SHARE CAPITAL**

	2002 £'000	2001 £'000
Authorised, allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	2,000	2,000

**15. RESERVES**

	Profit and loss account £'000
At 1 January 2002 (As previously stated)	3,023
Prior year adjustment (note 8)	(354)
At 1 January 2002 (Restated)	2,669
Profit for the financial year	1,459
Dividends paid	(1,280)
At 31 December 2002	2,848

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

	2002 £'000	2001 £'000
Profit for the financial year	1,459	1,448
Dividends paid	(1,280)	(1,452)
Net addition to/(reduction in) equity shareholders' funds	179	(4)
Opening equity shareholders' funds		
- As previously stated	5,023	4,951
- Prior year adjustment (note 8)	(354)	(278)
Closing equity shareholders' funds	4,848	4,669

**17. 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.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2002****18. 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 2002 was £49,000 (2001 - £46,000). The lease agreements provide that the company will pay all insurance.

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

	2002 £'000	2001 £'000
Operating leases which expire		
- within one year	5	2
- within two to five years	30	38
	<u>35</u>	<u>40</u>

**(b) Pension arrangements**

The majority of the employees of the company are members of the Yule Catto Group Retirement Benefits Scheme, a funded defined benefit scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

Based upon the 6 April 2000 actuarial valuation the market value of assets was £134.6m and on the basis used to determine pension costs these assets were assessed as being sufficient to cover 105% of the value of the benefits accrued to members.

Further details are provided in the financial statements of Yule Catto & Co. plc.

The pension charge for the year amounted to £142,000 (2001 - £103,000).

**(c) Contingent liabilities**

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

**(d) Capital commitments**

At 31 December 2002 capital commitments contracted but not provided for were £87,000 (2001 - £153,000).

**19. 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.

**20. 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.