KEMFINE

KemFine UK Limited

Directors' report and financial statements

Registered number: 5369235

1 January to 31 December 2007

Contents

Directors and advisers

Directors:
Yrjö Sipila
Hannu Isohaaro
Matti Packalén
Ulf Bjorkqvist
Tom Shields

Company Secretary:
Stephen Coombe

Registered Office:
100 Barbirolli Square
Manchester
M2 3AB

Auditors:
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Kintyre House
209 West George Street
Glasgow

Solicitors:
Dickson Minto
Solicitors
Edinburgh

Bankers:
Royal Bank of Scotland
36 St Andrews Square
Edinburgh

Directors' report

The directors present their annual report and the audited financial statements for the year from 1st January to 31st December 2007

Principal activities & business review

The company undertakes contract manufacture of fine chemical products from its site in Grangemouth, Scotland It also provides effluent treatment services to a range of customers from Scotland and parts of northern England, as well as providing a range of industrial services to customers located alongside its Grangemouth site

During the year 1st January to 31st December 2007, the company made a pre-tax loss of £521,000 (2006 loss of £2,468,000) Sales and margins have been significantly lower in Agrochemicals than in 2007, and the growth in our Pharmaceutical and Specialties (including Industrial services) through securing new business has been slower than anticipated Significant cost savings have been achieved, in part funded through a restructuring programme costing over £2m, and sales of land and buildings have been significantly greater than in 2007

The directors are confident that the initiatives they have put in place in 2007 will give rise to growth in 2008 with a return to profitability, though this is dependant on securing new business

The business continues to have the support of its current parent, KemFine Group OY, who have confirmed their continued financial support

The directors do not recommend the payment of a dividend (2006 £nil)

Business Environment

The business manufactures a range of fine chemicals across three business segments, and provides industrial services

Agrochemicals

The business provides contract manufacturing of intermediates and actives for the major Agrochemical companies, on an exclusive basis

Pharmaceuticals

The business provides contract manufacturing of intermediates and registered starting materials, on an exclusive basis, catering for manufacture and development to support customer needs throughout the development cycle of a particular product

Specialty Chemicals (and Industrial Services)

The business provides contract manufacturing to selected sectors within the specialty chemicals market, as well as offering industrial services, including effluent treatment and various landlord services

The overall fine chemicals custom synthesis market is estimated at $9 billion growing at 2-3% p a Whilst the Agrochemicals segment is relatively narrow and KemFine is recognised as one of the leading custom synthesis suppliers in both Pharmaceuticals and Specialities, the market is highly fragmented from both a customer and supply perspective KemFine's effluent treatment services are expected to continue growing as increasing regulatory control limits those able to service the market, whilst industrial services are anticipated to be reasonably constant The business has developed targeted strategies for servicing identified customers within each segment

Strategy

The business objective is to achieve steady and sustainable rates of growth and returns, primarily from organic growth across all three of the business sectors in which it is currently involved

There are four key elements in this strategy for growth

1 Managing existing contracts and targeting new opportunities with all of our current customers

2 Expanding the customer base, primarily within the Pharmaceutical and Specialties areas

3 Developing the effluent treatment service business, as well as seeking new opportunities and long term relationships with customers for industrial services

4 Taking opportunities to sell surplus land and/or buildings for development purposes

Training & Development

We have consistently sought to recruit and retain the best employees available, to provide the level of response and customer service demanded by our customers

The company training programme focuses on safety and other factors required to maintain our licence to operate whilst allowing us to exist peacefully with our neighbours, but also provides a range of professional and personal training to meet the development needs of staff

Research and development

The company carries out little speculative research Product development and process technology innovation are driven by the specific requirements of each of our customers Where appropriate, development and process technology efforts are managed in cross-functional teams which involve commercial and manufacturing personnel It is believed that this structure supports clear business and customer focus Process technology groups are all located at the site in Grangemouth

Principal Risks and Uncertainties

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them

The key business risks affecting the company are set out below

Demand uncertainty

The business is exposed to demand variability from a number of causes e g whether through lack of product registration (Pharmaceuticals), or weather (Agrochemicals) To mitigate these risks, our marketing teams work closely with customers to understand the risks facing forward demand for existing products In addition, we continually seek to build a broader customer/product portfolio

Competition & customer service

The business operates in a highly competitive and fragmented market place, where price and customer service are often the key determinants of competitiveness Also, there has been a notable growth in suppliers into this market place in recent years from the far east This results in constant pressure on margins, and our need to ensure a high level of customer service as a differentiation Our marketing teams work closely with customers on all aspects of customer service to both understand and respond to their needs, to mitigate these risks

Environmental and legislation

Many aspects of chemical manufacturing are strictly governed by legislation, and it is critical that we operate safely in all aspects of our work Our equipment and processes are fully evaluated to identify potential hazards and establish risk control measures before any manufacture commences, and on the occasion of any change in use Many items of plant are also subject to strict maintenance regimes, and staff are fully trained for all operations that they are asked to conduct We also collect and monitor a range of operational statistics on various aspects of Safety, Health and Environmental performance

Employees

The loss of key staff and/or the inability to recruit high quality staff would impair our ability to meet our objectives and would have a detrimental impact on the business results The business has a number of schemes linked to business performance designed to retain key individuals

Key Performance indicators (KPI's)

The board is assisted in monitoring progress on the overall business strategy and the individual strategic elements by reference to a number of measures, including the KPI's noted below

	2007	2006
Growth in sales (%)	-14%	-21%
Growth in EBITDA (%) *(3)*	48%	50%
EBITDA to Sales ratio (%) *(3)*	6 7%	3 8%
SHE Performance		
- All Environment Incident Rate *(1)*	2 20	0 70
- All Injury Rate *(2)*	1 54	1 76
Year end employee numbers	262	285

(1) All Environmental Incident Rate is defined as the 'number of environmental incidents per 100,000 people hours'

(2) All Injury Rate is defined as 'the number of accidents per 100 000 people hours

(3) Earnings Before Interest, Taxation, Depreciation and Amortisation

Directors

The directors who held office during the year and as at 31 December 2007 were as follows

Yrjo Sipila
Hannu Isohaaro
Matti Packalén
Ulf Bjorkqvist
Tom Shields

Employees

Employee involvement

The company adopts an approach of being honest and open with employees about matters affecting the business The company is fully committed to keeping all employees informed about the performance, progress and issues relating to their business or work unit, and about wider business issues A forum for employee consultation has been established and is chaired by the UK Site Director of Manufacturing

Equal opportunities

The company believes that every employee should be treated with the same respect and dignity It values the rich diversity and creative potential of people with differing backgrounds and abilities, and encourages a culture of equal opportunities in which personal success depends on personal merit and performance It is company policy that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job All judgements about people for the purposes of recruitment, development and promotion will be made solely on the basis of their ability and potential in relation to the needs of the job Every manager is responsible for implementing this policy

Employment of people with disabilities

It is company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising potential The company also takes all reasonable steps to ensure that its working environments can accommodate special needs The company also makes every effort to continue to employ staff who may become disabled whilst employed, providing appropriate training and adapting facilities to allow them to continue working where possible

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

In respect of each of the Directors serving at the time these accounts were approved

- So far as they are aware, there has been no relevant audit information of which the company auditors are unaware, and
- Each has taken all steps that he ought to take as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Political and charitable contributions

The company made no political contributions or donations to UK charities during the year

Auditors

Pursuant to a shareholders' resolution, PricewaterhouseCoopers LLP continue as auditors to the company

Tom Shields
Director
25th February 2008

100 Barbirolli Square
Manchester
M2 3AB

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEMFINE UK LIMITED

We have audited the financial statements of KemFine UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

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 judgments 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
28th February 2008

Profit and loss account

for the year ended 31 December 2007

	Note	2007	2006
		£000	£000
Turnover	4	35,861	41,503
Cost of sales		(32,083)	(37,108)
Gross profit		3,778	4,395
Distribution costs		(101)	(88)
Administrative costs		(1,980)	(3,516)
R&D/Technical costs		(1,548)	(1,736)
Exceptional operating costs	17	(2,112)	-
Other operating income / (costs)	5	1,636	(641)
Operating loss	6	(327)	(1,586)
Interest payable	9	(666)	(821)
Other Finance Income/(costs)	22	472	(61)
Loss on ordinary activities before taxation		(521)	(2,468)
Tax on loss on ordinary activities	10	-	-
Loss on ordinary activities after taxation and retained for the year	19	(521)	(2,468)

Balance sheet
as at 31 December 2007

	Note	31 December 2007 £000	Restated 31 December 2006 £000
Fixed assets			
Goodwill	*11*	**9,161**	**9,881**
Tangible fixed assets	*12*	**22,962**	**20,978**
		32,123	**30,859**
Current assets			
Stocks	*13*	**4,268**	**3,271**
Debtors amounts due in less than one year	*14*	**6,274**	**6,355**
Cash at bank and in hand		**2,240**	**5,384**
		12,782	**15,010**
Creditors amounts falling due within one year	*15*	**(11,822)**	**(11,901)**
Net current assets		**960**	**3,109**
Total assets less current liabilities		**33,083**	**33,968**
Creditors: amounts falling due after more than one year	*16*	**(13,139)**	**(13,815)**
Provisions for liabilities and charges	*17*	**(600)**	**(58)**
Net assets excluding pension liabilities		**19,344**	**20,095**
Pension liability	*22*	**-**	**(2,177)**
Net assets		**19,344**	**17,918**
Capital and reserves			
Called up share capital	*18*	**18,642**	**18,642**
Profit and loss account	*19*	**702**	**(724)**
Equity shareholders' funds		**19,344**	**17,918**

These financial statements were approved by the board of directors on 25th February 2008 and were signed on its behalf by

T Shields
Director

Reconciliation of movements in shareholders funds
as at 31st December 2007

	1 Jan 2007 to 31 Dec 2007 £000	Restated 1 Jan 2006 to 31 Dec 2006 £000
Loss for the year	(521)	(2,468)
Other recognised gains relating to the year	1,655	2,088
Additional Equity	-	4,142
Net increase in shareholders' funds	1,134	3,762
Opening shareholders' funds as previously reported	-	14,156
Prior Year Adjustment (Note 12)	-	292
Opening Shareholders' funds restated	18,210	14,448
Closing shareholders' funds	19,344	18,210

Statement of total recognised gains and losses
for the year ended 31st December 2007

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Loss for the year	(521)	(2,468)
Actuarial gain relating to pension liability	1,655	2,088
Total recognised gains/(losses) relating to the year	1,134	(380)
Prior Year Adjustment (Note 12)	292	-
Total recognised gains/(losses) since last annual report	1,426	(380)

Notes
(forming part of the financial statements)

1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards

Under Financial Reporting Standard 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by KemFine Group OY, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

2 Accounting policies

The principal accounting policies are set out below

Goodwill

On the acquisition of the business, values were attributed to the net assets acquired Goodwill represented the shortfall of the value of the separable net assets over the value of the consideration given, which has been capitalised and is amortised to nil by equal instalments over its estimated useful life of 15 years

Depreciation and amortisation

The book value of each tangible asset is written off evenly over its estimated remaining life Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear Under this policy it becomes impracticable to calculate the average asset lives exactly However, the total lives approximate to 25 years for buildings and 5 - 10 years for plant and equipment Assets under construction are not subject to depreciation until the asset is brought into use, at which time they are transferred into the appropriate asset category and depreciated over the estimated useful life

Environmental liabilities

The company is exposed to environmental liabilities relating to operations, principally in respect of soil and groundwater remediation costs Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes *(continued)*

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value Each asset is depreciated over the shorter of the lease term or its useful life The obligations related to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within, or creditors due after, one year The interest element of the rental obligation is allocated to accounting years during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting year

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term Income from short-term leases is credited to Turnover on a straight-line basis

Post-retirement benefits

The company operates both Defined Benefit and Defined Contribution schemes The assets of the pension schemes are held separately from those of the Company In the case of defined benefit schemes, assets are measured using mid market values Liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses In the case of Defined Contribution schemes, the amount charged to the profit and loss account represents the contributions payable to the scheme in the year

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred

Stocks valuation

Finished goods are stated at the lower of cost and net realisable value, and raw materials and other stocks at the lower of cost or replacement price The first in, first out or an average method of valuation is used In determining cost, an appropriate amount of direct production costs are included, but selling expenses and all overhead expenses (principally central administration costs) are excluded Net realisable value is determined as selling price less costs of disposal

Taxation

The charge for taxation is based on the profits for the year and takes into account deferred taxation Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing difference are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Turnover and revenue recognition

Turnover excludes value added taxes The company generates revenue through sales of Fine Chemicals and related services in the open market, through raw material conversion agreements and service contracts Revenue is recognised when ownership of the products are passed to the customer or when services have been rendered Turnover also includes amounts received from property rentals under short term operating leases

Notes *(continued)*

4 Analysis of turnover

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
By geographical market		
UK	23,647	23,253
Continental Europe	11,367	17,973
Americas	847	277
Asia, Africa and Australasia	-	-
	35,861	41,503

Included above in 2007 is £197,000 (2006 £103,000) with regard to property rental income under short term operating leases The gross book value of the buildings which have been subject (wholly or in part) to lease in 2007 is £6,058,971 (2006 £6,058,971), and the accumulated depreciation is £3,755,897 (2006 £3,449,861)

No analysis of turnover by class of business has been provided as the directors have determined that such disclosure would be seriously prejudicial to the company's interests

5 Other operating income / (costs)

Other operating income / (costs) includes amortisation of goodwill of £720,371 and gain on the disposal of land and buildings of £2,356,207 (for the year ended 31 December 2006 amortisation of goodwill of £720,371, and a gain on the disposal of land of £79,470)

6 Operating loss

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Operating loss is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned	1,471	1,929
Leased	527	551
Amortisation of goodwill	720	720
Operating lease charges for plant & machinery	276	521
Auditors fees payable for audit	57	50
Services relating to taxation	3	-
Research and development expenditure	1,399	1,517

Notes *(continued)*

7 Remuneration of directors

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Directors' emoluments	218	197

The above emoluments include amounts paid to a director for the work performed by that director in relation to other group undertakings Other companies within the KemFine group paid the emoluments of the remaining Directors' during the year

The aggregate emoluments of the director were £177,398 for the year ended 31st December 2007 and company pension contributions of £40,798 were made to a defined benefit scheme on his behalf (£168,430 and £28,793 respectively for the year ended 31st December 2006)

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Retirement benefits are accruing to the following number of directors under		
Defined benefit schemes	1	1

8 Staff numbers and costs

The average number of persons, including directors, employed by the company during the year, analysed by category, was as follows

	Number of employees	
	31st Dec 2007	31st Dec 2006
Manufacturing	213	252
Research and Development	21	14
Management/Administrative	33	29
	267	295

Notes *(continued)*

The aggregate payroll costs of these persons were as follows

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Wages and salaries	9,748	9,791
Social security costs	985	1,026
Other pension costs (see Note 22)	1,948	2,582
	12,681	13,399

9 Interest payable and similar charges

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Finance charges payable in respect of finance leases	194	236
Group interest charges	644	644
Interest receivable on deposits	(172)	(59)
	666	821

Notes *(continued)*

10 Taxation

The tax assessed for the year is lower than the standard rate of corporation tax (30%) The differences are explained below

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Loss on ordinary activities before tax	(521)	(2,468)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30%	(156)	(740)
Effects from		
Depreciation in excess of capital allowances and other timing differences	352	450
Research and development allowances	(105)	(114)
Unutilised losses	1,105	693
Other Items (not taxable) / not allowable	(491)	409
Special pension payments	(863)	(863)
Depreciation on leased assets	158	165
Current Taxes	-	-
Deferred taxes	-	-

The amount of tax losses available to be carried forward at 31 December 2007 is estimated at £ 7,742,000 (£4,800,000 at 31 December 2006)

Notes *(continued)*

11 Goodwill

	Goodwill £000
Cost	
As of 1 Jan 2007 and 31 Dec 2007	**26,082**
Depreciation	
As at 1 Jan 2007	**16,201**
Charge for the year	**720**
At 31st Dec 2007	**16,921**
Net book value	
At 31 December 2007	**9,161**
Net book value	
At 1 January 2007	**9,881**

Notes *(continued)*

12 Tangible fixed assets

	Land and buildings	Plant and machinery	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
As at 1 Jan 2007 as previously reported	8,036	80,449	2,392	90,877
Prior year adjustment	2,788	(2,788)	-	-
As at 1 Jan 2007 restated	10,824	77,661	2,392	90,877
Additions	-	-	3,923	3,923
Transfers	-	999	(999)	-
Disposals	(320)	-	-	(320)
At 31st Dec 2007	10,504	78,660	5,316	94,480
Depreciation				
As at 1 Jan 2007 as previously reported	5,018	64,881	-	69,899
Prior year adjustment	66	(358)	-	(292)
As at 1 Jan 2007 as previously reported	5,084	64,523	-	69,607
Charge for the year	337	1,661	-	1,998
Transfer	-	-	-	-
Disposals	(87)	-	-	(87)
At 31st Dec 2007	5,334	66,184	-	71,518
Net book value				
At 31 December 2007	5,170	12,476	5,316	22,962
Net book value				
At 1 January 2007 as previously reported	3,018	15,568	2,392	20,978
Prior year adjustment	2,722	(2,429)	-	293
At 1 January 2007 restated	5,740	13,139	2,392	21,271

Included in the total net book value of land and buildings and plant and machinery at 31 December 2007 is £188,000 and £1,545,000 respectively (at 31st Dec 2006 £245,000 and £2,014,000) relating to assets held under finance leases (all Long Term) Depreciation for the year ended 31 December 2007 on these assets was £58,000 and £469,000 respectively (year ended 31st Dec 2006 on these assets was £58,000 and £493,000 respectively)

The opening cost and depreciation figures have been adjusted to reflect a reclassification of the assets acquired from Avecia, which had been incorrectly classified in the fixed asset register at the time of acquisition As a result of this, the accumulated depreciation as at 1 January 2007 is reduced by £293,000

Notes *(continued)*

13 Stocks

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Raw materials and consumables	2,244	2,141
Work in progress	195	221
Finished goods and goods for resale	1,829	909
	4,268	3,271

In 2007, the estimation method of including an element of direct production cost in stock valuation has been changed At the end of 2007, £920,000 of production costs have been included in stock valuation The impact of this change had it been included in end of 2006 stock valuation would have been £649,000

14 Debtors

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Trade debtors	5,299	6,276
Prepayments and accrued income	975	79
	6,274	6,355

15 Creditors: amounts falling due within one year

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Obligations under finance leases	676	634
Trade creditors	312	2,755
Amounts owed to group undertakings	8,010	5,306
Tax and Social Security	325	290
Other creditors	616	433
Accruals and deferred income	1,883	2,483
	11,822	11,901

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Obligations under finance leases	1,737	2,413
Amounts owed to group undertakings	11,402	11,402
	13,139	13,815

The amount owed to group undertakings consists of a long-term loan, which has no formal repayment requirements The loan is interest bearing at a rate of 5 65% per annum

The maturity of obligations under finance lease contracts is as follows

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Within one year	825	825
In the second to fifth years	1,892	2,720
Over five years	-	-
	2,717	3,545
Less future finance charges	(304)	(498)
	2,413	3,047

17 Provisions for liabilities and charges

The provision at 31st December 2007 relates to further costs to be incurred following a restructuring programme carried out during 2007

	To 31 Dec 2007 £000	To 31 Dec 2006 £000
As at start of year	58	200
Charge for the year	2,250	-
Utilised during year	(1,570)	(142)
Released during year	(138)	-
At end of the year	600	58

The net charge for the year of £2,112,000 (charge £2,250,000 and release £138,000), and the remaining balance of £600,000 both relate to restructuring The remaining provision of £600,000 is expected to be utilised within the first 3 months of 2008 The utilised figure of £1,570,000 consists of £58,000 for residual costs incurred following exit from a significant contract and £1,512,000 relating to restructuring which took place during 2007

Notes *(continued)*

18 Called up share capital

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Authorised		
Equity 18,642,000 Ordinary shares of £1 00 each	**18,642**	**18,642**
Allotted, called up and fully paid		
Equity 18,642,000 Ordinary shares of £1 00 each	**18,642**	**18,642**

No additional (2006 4,142,000) ordinary shares of £1 were authorised, allotted and fully paid in the year

19 Profit and loss account

	To 31 Dec 2007 £000	To 31 Dec 2006 £000
At beginning of year as previously reported	**(724)**	**-**
Prior year adjustment (Note 12)	**292**	**-**
At beginning of year restated	**(432)**	**(344)**
Arising in the year	**(521)**	**(2,468)**
Actuarial gain	**1,655**	**2,088**
At end of year	**702**	**(724)**
Pension Deficit	**-**	**2,177**
Profit & loss reserve excluding pension deficit	**702**	**1,453**

20 Contingent liabilities

Environmental matters

The business has contingent liabilities on its Grangemouth site and is subject to contingencies pursuant to laws and regulations which in the future may require it to take action to correct the effects on the environment of the prior disposal, release or escape of chemical substances

Notes *(continued)*

An Environmental Deed of Covenant entered into by Avecia with companies in the AstraZeneca group, notably Zeneca Limited (as a principal seller of the business to the group) and AstraZeneca plc (as guarantor), on Avecia's acquisition of AstraZeneca's specialty chemicals operations, has been assigned to the business and provides certain indemnities to and by the AstraZeneca group for environmental liabilities and costs arising from events or circumstances existing prior to the acquisition These include liabilities relating to or arising out of pre-acquisition contamination at sites which were transferred to group companies in 1999 but which have subsequently been disposed of These also include historic liabilities arising on any sites previously owned by companies acquired by the group in the course of the acquisition transaction but where the sites in question were not themselves part of the acquisition transaction The liability of the AstraZeneca group to indemnify KemFine in respect of these matters is, subject to certain exceptions, subject to maximum caps of liability, de minimis levels of liability, time limits for claims to be made and/or contributions by the business Where time limits or caps on liability apply, on the expiry of the relevant time limit or if the environmental liabilities and costs exceed the relevant cap, the environmental liabilities and costs, or excess thereof, would be the responsibility of the business In addition, certain environmental liabilities identified on the Northern and Northeast boundary of Grangemouth site are subject to legal agreement between the business and the Avecia Group

While the outcome of some of these matters cannot be readily foreseen, the directors believe that any issues will be disposed of without material effect on the financial position as shown in these financial statements

Pension Fund transfer of Protected Rights

Certain assets and liabilities in the Avecia Fine Chemicals Pension fund in respect of members protected rights have not been transferred to the KemFine UK Pension fund since the KemFine Group acquired the Avecia Fine Chemicals business from the Avecia Group in 2005 Whilst changes to legislation in April 2006 meant that the transfer of protected rights were now possible, it had emerged in 2006 that an unforeseen deficit between the assets and liabilities represented by the protected rights exists because of the way in which the Trust Deed requires the pension benefits to be paid At the end of 2006, a dispute existed between Avecia and KemFine about which company would fund this deficit under the terms agreed when the Avecia Fine Chemicals business was acquired by KemFine

In 2007 agreement was reached with Avecia that they retain both assets and liabilities with respect to protected rights Therefore there is no longer any outstanding matters which would have a financial impact on these financial statements

Litigation and other claims

The business is subject to legal actions and claims by third parties While the outcome of some of these matters cannot be foreseen with accuracy, the directors believe that they will be disposed of without material effect on the net asset position as shown in these financial statements

21 Commitments

Capital commitments at the end of the year, for which no provision has been made, are as follows

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Contracted	**315**	**1,874**

Notes *(continued)*

Unsettled forward transactions at the end of the year to hedge forward gas purchases, are as follows

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Maturing within one year		
- to hedge utility prices	-	542

Financial commitments at the end of the year are as follows

	At 31 Dec 2007 £000	At 31 Dec 2006 £000
Annual commitments under non cancellable operating leases		
- expiring within one year	418	123

22 Pension scheme

KemFine UK Limited participates in retirement plans which cover the majority of its employees Members of the fund build up account balances either on a Defined Contribution Basis (Investment Account), or on a Defined Benefit Basis (Retirement Account) The balances are converted to a pension at retirement on either fixed conversion factors as set out in the Fund Rules or market related conversion factors which are updated from time to time, depending on the category to which the member belongs In general all plans are funded through separate trustee-administered funds The pension cost for the main defined benefit plans is established in accordance with the advice of independent qualified actuaries based on valuations undertaken on varying dates

Major assumptions

	To 31 Dec 2007	To 31 Dec 2006
Rate of general increase in salaries	4.20%	3.90%
Rate of increase to pensions in payment	3.20%	2.90%
Discount rate for scheme liabilities	5.80%	5.10%
Inflation	3.20%	2.90%

The mortality assumptions used in determining the company's expected pension liabilities have been updated since last year's disclosures They are now based on the standard "00 series" actuarial tables using the "year of birth" projection approach and allowing for improvements in mortality in line with the medium cohort effect Based on these assumptions, life expectancies for current pensioners aged 60 are estimated as being 26 3 years for males and 28 8 years for females (At 31 December 2006 the standard "92 series" actuarial tables were used, projected forward to 2016 for current pensioners and 2026 for future pensioners, with the short cohort effect applied to future improvements Based on these assumptions, the estimated life expectancy figures for current pensioners were 24 0 and 26 7 for males and females respectively)

Notes *(continued)*

The assets in the schemes and the expected rate of return were

	Long term rate of return expected 31 December 2007	Value as at 31 December 2007	Long term rate of return expected 31 December 2006	Value as at 31 December 2006	Long term rate of return expected 31 December 2005	Value as at 31 December 2005
	% pa	£000	% pa	£000	% pa	£000
Equities	8.0	1,773	8.0	1,632	7 5	1,396
Government Bonds – index linked	4 25	146	4 25	139	3.75	222
Government Bonds – fixed interest	4.5	1,176	4 5	1	4.0	3,654
Corporate Bonds	4.8	59,463	5 0	61,030	4.4	44,876
Structured Equity Product	8 0	23,835	8 0	22,300	7.5	20,160
Other including Cash	5.9	1,402	5 25	180	4 5	6,738
		87,795		85,282		77,046
Interest Rate and Inflation Overlay		(1,357)		(6,100)		731
Market value of assets		86,438		79,182		77,777
Present value of scheme liabilities		(80,474)		(81,359)		(85,541)
Surplus / (deficit)		5,964		(2,177)		(7,764)
Adjustment due to surplus cap		(5,964)		-		-
Recoverable surplus / (deficit)		-		(2,177)		(7,764)

Analysis of the amounts charged to operating profit

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Current service cost	(1,948)	(2,582)
Past service cost	-	-
	(1,948)	(2,582)

The majority of the Fund's liabilities relate to the Retirement Account members, and accounts converted on the fixed conversion factors While the benefits accrued by the Investment Account members could be classified as defined contribution, for the purpose of these disclosures, on grounds of materiality, the current service cost shown relates to the cost of benefits accruing for all categories of membership Over the year to 31 December 2007, the total company contribution paid over into the Investment Account members accounts amounted to £76,015 (for the year to 31 December 2006 £62,402)

Notes *(continued)*

Analysis of amount credited/(charged) to other finance income/(costs)

	1 Jan 2007 to 31 Dec 2007 £000	1 Jan 2006 to 31 Dec 2006 £000
Expected return on pension scheme assets	4,632	4,087
Interest on pension scheme liabilities	(4,160)	(4,148)
Net Return	472	(61)

Movement in deficit during the year

	To 31 Dec 2007 £000	To 31 Dec 2006 £000
Deficit at beginning of year	(2,177)	(3,622)
Current service cost & administrative costs paid by company	(2,298)	(2,582)
Amounts due for enhanced benefits *(1)*	(784)	-
Company contributions *(2)*	3,132	2,000
Other Finance income/(costs)	472	(61)
Actuarial gains	1,655	2,088
Surplus / (Deficit) at end of the year	-	(2,177)

The actuarial valuation at 31 September 2007 showed a change from a deficit of £2,177,000 to a surplus of £5,964,000 However this surplus has been restricted to £nil as it is not currently considered to be recoverable The current funding rate of £2,000,000 per annum remains in force until September 2008, after which the rate from October 2008 to March 2011 will be £2,650,000 per annum

(1) Amounts relate to employees leaving company to take early retirement

(2) Employers Contributions £2,000,000, Administrative Costs £348 000 and Enhanced Benefits £784,000

Notes *(continued)*

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	To 31 Dec 2007 £000	To 31 Dec 2006 £000	To 31 Dec 2005 £000
Difference between the expected and actual return on scheme assets	**2,154**	**(8,009)**	**6,261**
Percentage of scheme assets	**2.5%**	**(10 1%)**	**8.0%**
Experience gains and losses on the scheme liabilities	**445**	**1,323**	**(803)**
Percentage of scheme liabilities	**0.6%**	**1 6%**	**(0.9%)**
Changes in assumptions underlying the present value of scheme liabilities	**5,015**	**8,774**	**(7,215)**
Percentage of scheme liabilities	**6.8%**	**10.8%**	**8 4%**
Total amount recognised in statement of total recognised gains and losses *(1)*	**1,655**	**2,088**	**(1,757)**
Percentage of scheme liabilities	**2.2%**	**2.6%**	**(2 1%)**

(1) Capped to £1,654,981 to restrict the pension surplus to £nil

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of KemFine Group OY (which is incorporated in Finland) The largest and smallest group in which the results of the company are consolidated is that headed by KemFine Group OY