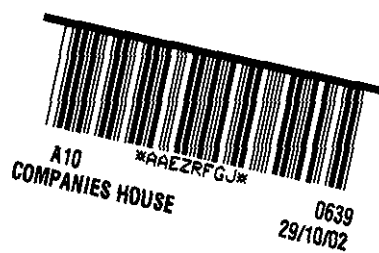


S. Black Limited

**Directors' report and consolidated
financial statements**

Registered number 934139

30 June 2002



Contents

| | |
|---|----|
| Directors' report | 1 |
| Statement of directors' responsibilities | 3 |
| Independent auditor's report to the members of S. Black Limited | 4 |
| Consolidated profit and loss account | 5 |
| Consolidated balance sheet | 6 |
| Company balance sheet | 7 |
| Consolidated cash flow statement | 8 |
| Consolidated statement of total recognised gains and losses | 9 |
| Notes | 10 |

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2002.

Principal activities

The principal activity of the group continued to be the technical sale and distribution of speciality chemicals and ingredients for the personal care, food, healthcare, household and aroma chemicals sectors.

Business review

The results and the position of the group are set out on pages 5 and 6.

The directors are confident that the group will continue to make satisfactory progress during the next financial year.

Dividends

Information regarding dividends is set out in note 10 to the financial statements.

Directors and directors' interests

The directors who held office during the year and their interests and rights to subscribe to shares of the company were as follows:

| | At 30 June 2002 | | | At 30 June 2001 | | |
|---------------------------------------|-----------------------|--|---|-----------------------|--|---|
| | Ordinary £1 Shares | Options | | Ordinary £1 Shares | Options | |
| | | Executive Share Option Scheme | Employee Share Trust Share Option Scheme | | Executive Share Option Scheme | Employee Share Trust Share Option Scheme |
| S Black | 74,500 | - | - | 74,500 | - | - |
| NL Berry | 5,530 | - | - | 5,530 | - | - |
| DG Saunter (resigned 30 June 2002) | 5,020 | - | - | 5,020 | - | - |
| AG Raybould | 5,020 | - | - | 5,020 | - | - |
| JB Lowten | - | 544 | 56 | - | 544 | 56 |
| G Ewart | 1,000 | - | - | 1,000 | - | - |
| J Tass | - | - | 200 | - | - | 200 |
| P Hardman (appointed 1 February 2002) | - | - | - | - | - | - |

Options relating to the Executive Share Option Scheme are exercisable between 2002 and 2009 at an exercise price of £55 per share. Options relating to the Employee Share Trust Option Scheme are exercisable up to 2006 at an exercise price of £55 per share.

The directors who held office at the end of the financial year had no other disclosable interest in the shares of group companies.

Directors' report (*continued*)

Political and charitable donations

The group made no political contributions during the year (2001: *£nil*). Donations to UK charities amounted to £2,000 (2001: £2,000).

Employees

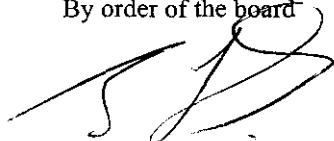
It is the group's policy to provide disabled persons with the opportunities of employment equal to those which are available to all other employees.

The group recognises the benefits of keeping employees informed on matters which are of specific concern to them as employees and it is its policy to provide them with such information on a regular basis whenever appropriate.

Auditors

KPMG were re-appointed auditors on 14 December 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 22 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JB Lowten
Director

Foxholes Business Park
John Tate Road
Hertford
Herts
SG13 7YH

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 group and of the profit or loss 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Aquis Court
31 Fishpool Street
St Albans
Hertfordshire, AL3 4RF

Independent auditor's report to the members of S. Black Limited

We have audited the financial statements on pages 5 to 27.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 group is not disclosed.

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 group'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 affairs of the company and the group as at 30 June 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Lee

KPMG LLP
Chartered Accountants
Registered Auditor

4 October 2002

Consolidated profit and loss account
for the year ended 30 June 2002

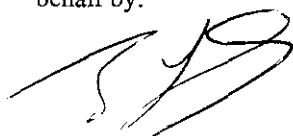
| | <i>Note</i> | 2002 £000 | 2001 £000 |
|---|-------------|----------------------------|----------------------------|
| Turnover | 2 | 24,630 | 23,181 |
| Cost of sales | | (18,432) | (17,699) |
| Gross profit | | 6,198 | 5,482 |
| Distribution costs | | (309) | (247) |
| Administration expenses | | (3,537) | (3,038) |
| Operating profit | | 2,352 | 2,197 |
| Income from other fixed asset investments | 6 | - | 1 |
| Other interest receivable and similar income | 7 | 152 | 180 |
| Interest payable and similar charges | 8 | (47) | (45) |
| Profit on ordinary activities before taxation | 3-8 | 2,457 | 2,333 |
| Tax on profit on ordinary activities | 9 | (696) | (844) |
| Profit on ordinary activities after taxation | | 1,761 | 1,489 |
| Minority interests | 21 | (7) | (2) |
| Profit for the financial year | | 1,754 | 1,487 |
| Dividends on equity and non-equity shares | 10 | (1,082) | (1,060) |
| Retained profit for the financial year transferred to reserves | 20 | 672 | 427 |

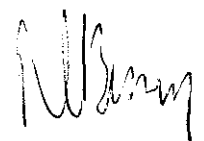
All the above amounts are derived from continuing activities.

Consolidated balance sheet
at 30 June 2002

| | Note | 2002 | 2001 |
|---|----------|----------------|----------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | 12 | 4,502 | 4,456 |
| Investments | 13 | 472 | 474 |
| | | <u>4,974</u> | <u>4,930</u> |
| Current assets | | | |
| Stocks of goods for resale | | 3,966 | 3,196 |
| Debtors | 14 | 4,834 | 4,659 |
| Cash at bank and in hand | | 3,498 | 3,632 |
| | | <u>12,298</u> | <u>11,487</u> |
| Creditors: amounts falling due within one year | 15 | <u>(4,222)</u> | <u>(3,566)</u> |
| Net current assets | | <u>8,076</u> | <u>7,921</u> |
| Total assets less current liabilities | | <u>13,050</u> | <u>12,851</u> |
| Creditors: amounts falling due after one year | 16 | - | (500) |
| Provisions for liabilities and charges | 17 | - | (25) |
| Net assets | | <u>13,050</u> | <u>12,326</u> |
| Capital and reserves | | | |
| Called up share capital | 18 | 114 | 114 |
| Share premium account | 19 | 350 | 350 |
| Profit and loss account | 19 | 12,515 | 11,803 |
| Shareholders' funds | | | |
| Equity interests | | 12,961 | 12,249 |
| Non-equity interests | | 18 | 18 |
| | | <u>12,979</u> | <u>12,267</u> |
| Equity minority interests | 20 21 | 71 | 59 |
| | | <u>13,050</u> | <u>12,326</u> |

These financial statements were approved by the board of directors on 4 October 2002 and were signed on its behalf by:


JB Lowten
Director


NL Berry
Director

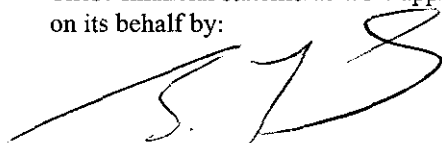
Company balance sheet
at 30 June 2002

| | Note | 2002 £000 | 2001 £000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 12 | 4,413 | 4,385 |
| Investments | 13 | 1,234 | 1,236 |
| | | <u>5,647</u> | <u>5,621</u> |
| Current assets | | | |
| Stocks of goods for resale | | 3,631 | 2,990 |
| Debtors | 14 | 4,479 | 4,414 |
| Cash at bank and in hand | | 3,289 | 3,345 |
| | | <u>11,399</u> | <u>10,749</u> |
| Creditors: amounts falling due within one year | 15 | <u>(3,941)</u> | <u>(3,348)</u> |
| Net current assets | | <u>7,458</u> | <u>7,401</u> |
| Total assets less current liabilities | | <u>13,105</u> | <u>13,022</u> |
| Creditors: amounts falling due after one year | 16 | - | (500) |
| Provisions for liabilities and charges | 17 | - | (25) |
| Net assets | | <u>13,105</u> | <u>12,497</u> |
| Capital and reserves | | | |
| Called up share capital | 18 | 114 | 114 |
| Share premium account | 19 | 350 | 350 |
| Profit and loss account | 19 | 12,641 | 12,033 |
| | | <u>13,105</u> | <u>12,497</u> |
| Shareholders' funds | | | |
| Equity | | 13,087 | 12,479 |
| Non-equity | | 18 | 18 |
| | | <u>13,105</u> | <u>12,497</u> |

These financial statements were approved by the board of directors on its behalf by:

6 October 2002

and were signed



JB Lowten
Director



NL Berry
Director

Consolidated cash flow statement
for the year ended 30 June 2002

| | <i>Note</i> | 2002 £000 | 2001 £000 |
|--|-------------|----------------------------|----------------------------|
| Reconciliation of operating profit to net cash flow from operating activities | | | |
| Operating profit | | 2,352 | 2,197 |
| Depreciation, amortisation and impairment charges | | 427 | 310 |
| Profit on sale of fixed assets | | (1) | (1) |
| Increase in stocks | | (754) | - |
| Increase in debtors | | (125) | (383) |
| Increase in creditors | | 201 | 691 |
| Exchange (gain)/loss | | (26) | 2 |
| | | <hr/> | <hr/> |
| Net cash inflow from operating activities | | 2,074 | 2,816 |
| | | <hr/> | <hr/> |
| Cash flow statement | | | |
| Cash flow from operating activities | | 2,074 | 2,816 |
| Returns on investments and servicing of finance | 24 | (67) | (22) |
| Taxation | | (792) | (855) |
| Capital expenditure and financial investment | 24 | (465) | (450) |
| Equity dividends paid | 10 | (908) | (885) |
| | | <hr/> | <hr/> |
| Cash (outflow)/inflow before financing | | (158) | 604 |
| Financing | 24 | - | 190 |
| | | <hr/> | <hr/> |
| (Decrease)/increase in cash in the year | | (158) | 794 |
| | | <hr/> | <hr/> |
| Reconciliation of net cash flow to movement in net funds | | | |
| (Decrease)/increase in cash in the year | | (158) | 794 |
| | | <hr/> | <hr/> |
| Change in net debt resulting from cash flows | | (158) | 794 |
| Translation differences | | 24 | (6) |
| | | <hr/> | <hr/> |
| Movement in net funds in the year | | (134) | 788 |
| Net funds at the start of the year | | 3,132 | 2,344 |
| | | <hr/> | <hr/> |
| Net funds at the end of the year | | 2,998 | 3,132 |
| | | <hr/> | <hr/> |

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2002

| | 2002 | 2001 |
|--|--------------|--------------|
| | £000 | £000 |
| Profit for the financial year | 1,754 | 1,487 |
| Currency translation differences on foreign currency net investments | 40 | (26) |
| Total recognised gains and losses relating to the year | <u>1,794</u> | <u>1,461</u> |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules modified to include the revaluation of listed investments.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2002 using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|----------------------------------|---|------------|
| Freehold buildings | - | 50 years |
| Computer equipment | - | 3-5 years |
| Fixtures, fittings and equipment | - | 5-10 years |
| Motor vehicles | - | 4 years |

No depreciation is provided on freehold land.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost. The company's financial statements include the assets, liabilities and result of the S. Black (Import & Export) Limited Employee Share Trust.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. 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.

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at closing exchange rates. Gains and losses arising on these translations are taken to reserves.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Operating lease rentals are charged to the profit and loss account as they are incurred.

Stocks

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Post retirement benefits

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

The group operates a pension scheme providing benefits based on final pensionable pay for one employee. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employee's working life with the group.

Notes (continued)

2 Analysis of turnover and segmental information

All turnover and profits before taxation are derived from the technical sale and distribution of speciality chemicals and pigments. A geographical analysis of turnover is as follows:

| | 2002 £000 | 2001 £000 |
|-------------------|---------------|---------------|
| United Kingdom | 18,916 | 17,540 |
| Rest of the World | 5,714 | 5,641 |
| | <u>24,630</u> | <u>23,181</u> |

3 Operating profit

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| <i>Operating profit is stated after charging/(crediting):</i> | | |
| Auditors' remuneration: | | |
| Group - audit | 30 | 28 |
| - other services | 28 | 14 |
| Company - audit | 25 | 24 |
| - other services | 13 | 10 |
| Depreciation and other amounts written off tangible fixed assets | 425 | 310 |
| Hire of plant and machinery – rentals payable under operating leases | 5 | 2 |
| Hire of other assets – operating leases | 19 | 13 |
| Profit on sale of fixed assets | 1 | 1 |
| Exchange (gains)/losses | (25) | 2 |
| | <u></u> | <u></u> |

Notes (continued)

4 Remuneration of directors

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| Directors' emoluments | 620 | 545 |
| Company contributions to money purchase pension schemes | 36 | 26 |
| | <u>656</u> | <u>571</u> |

The aggregate of emoluments of the highest paid director was £138,000 (2001: £129,000), and company pension contributions of £7,000 (2001: £7,000) were made to a money purchase scheme on his behalf.

| | Number of directors 2002 | 2001 |
|--|-----------------------------|----------|
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | <u>6</u> | <u>5</u> |
| The number of directors who exercised share options was | <u>-</u> | <u>2</u> |

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

| | Number of employees 2002 | 2001 |
|-------------------|-----------------------------|-----------|
| Sales and support | <u>64</u> | <u>61</u> |

The aggregate payroll costs of these persons were as follows:

| | 2002 £000 | 2001 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 2,037 | 1,739 |
| Social security costs | 221 | 191 |
| Other pension costs | 77 | 58 |
| | <u>2,335</u> | <u>1,988</u> |

Notes (continued)

6 Income from other fixed asset investments

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| Income from fixed asset investments (excluding group undertakings) | - | 1 |

7 Other interest receivable and similar income

| | 2002 £000 | 2001 £000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 152 | 180 |

8 Interest payable and similar charges

| | 2002 £000 | 2001 £000 |
|------------------------------|--------------|--------------|
| On bank loans and overdrafts | 47 | 45 |

9 Taxation

| | 2002 £000 | 2001 £000 |
|---------------------------------------|--------------|--------------|
| Analysis of charge in year | | |
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 734 | 704 |
| Adjustments in respect of prior years | - | (26) |
| Total current tax | 734 | 678 |
| Deferred tax (see note 17) | (38) | 166 |
| Tax on profit on ordinary activities | 696 | 844 |

The current tax charge for the year is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, (2001: 30%)). The differences are explained below:

Notes (continued)

9 Taxation (continued)

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 2,457 | 2,333 |
| | <hr/> | <hr/> |
| Current tax at 30% (2001: 30%) | 737 | 700 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 27 | 30 |
| Capital allowances for year in excess of depreciation | (8) | (19) |
| Utilisation of tax losses | (22) | (7) |
| Adjustments to tax charge in respect of prior years | - | (26) |
| | <hr/> | <hr/> |
| Total current tax charge (see above) | 734 | 678 |
| | <hr/> | <hr/> |

10 Dividends and other appropriations

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| Equity shares: | | |
| Interim dividend paid | 908 | 885 |
| Non-equity shares: | | |
| Dividend paid in respect of current year | 102 | 99 |
| Dividend accrued | 72 | 72 |
| | <hr/> | <hr/> |
| | 1,082 | 1,056 |
| Additional finance costs of non-equity interests | - | 4 |
| | <hr/> | <hr/> |
| | 1,082 | 1,060 |
| | <hr/> | <hr/> |

In accordance with FRS 4 finance costs on the 'A' ordinary shares must be spread over the term of the shares. These shares have no fixed conversion date. A dividend of £9.80 per share per annum is payable from 1 August 2000 on 17,850 'A' ordinary shares in perpetuity (note 18).

11 Profit and loss account

The profit for the financial year dealt with in the financial statements of the company, S Black Limited, was £2,045,000 (2001: £1,467,000).

Notes (continued)

12 Tangible fixed assets

| | Freehold land and buildings £000 | Computer equipment £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Total £000 |
|--------------------------|---|-------------------------------|--|---------------------------|---------------|
| Group | | | | | |
| <i>Cost</i> | | | | | |
| At beginning of year | 3,582 | 907 | 774 | 387 | 5,650 |
| Exchange rate difference | - | 3 | 3 | 4 | 10 |
| Additions | - | 233 | 26 | 239 | 498 |
| Disposals | - | (208) | (30) | (164) | (402) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 3,582 | 935 | 773 | 466 | 5,756 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | | |
| At beginning of year | 160 | 497 | 329 | 208 | 1,194 |
| Exchange rate difference | - | 2 | 2 | 1 | 5 |
| Charge for year | 50 | 194 | 76 | 105 | 425 |
| On disposals | - | (208) | (30) | (132) | (370) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 210 | 485 | 377 | 182 | 1,254 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | | |
| At 30 June 2002 | 3,372 | 450 | 396 | 284 | 4,502 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 2001 | 3,422 | 410 | 445 | 179 | 4,456 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The gross book value of freehold land and buildings includes £2,509,000 (2001: £2,509,000) of depreciable assets.

Notes (continued)

12 Tangible fixed assets (continued)

| | Freehold land and buildings £000 | Computer equipment £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Total £000 |
|-----------------------|---|-------------------------------|--|------------------------|---------------|
| Company | | | | | |
| <i>Cost</i> | | | | | |
| At beginning of year | 3,582 | 871 | 728 | 335 | 5,516 |
| Additions | - | 211 | 11 | 239 | 461 |
| Disposals | - | (208) | (31) | (164) | (403) |
| At end of year | 3,582 | 874 | 708 | 410 | 5,574 |
| <i>Depreciation</i> | | | | | |
| At beginning of year | 160 | 470 | 309 | 192 | 1,131 |
| Charge for year | 50 | 189 | 71 | 91 | 401 |
| On disposals | - | (208) | (31) | (132) | (371) |
| At end of year | 210 | 451 | 349 | 151 | 1,161 |
| <i>Net book value</i> | | | | | |
| At 30 June 2002 | 3,372 | 423 | 359 | 259 | 4,413 |
| At 30 June 2001 | 3,422 | 401 | 419 | 143 | 4,385 |

The gross book value of freehold land and buildings includes £2,509,000 (2001: £2,509,000) of depreciable assets.

Notes (continued)

13 Fixed asset investments

| Group | Own shares £000 | Listed investments £000 | Total £000 |
|----------------------------------|--------------------|----------------------------|---------------|
| Cost | | | |
| At beginning and end of the year | 495 | 17 | 512 |
| Provisions | | | |
| At beginning of year | 38 | - | 38 |
| Provided in year | - | 2 | 2 |
| At end of year | 38 | 2 | 40 |
| Net book value | | | |
| At 30 June 2002 | 457 | 15 | 472 |
| At 30 June 2001 | 457 | 17 | 474 |

At 30 June 2002 the market value of the listed investments was £15,000 (2001: £17,000).

Investment in own shares

The S. Black (Import & Export) Limited Employee Share Trust was established by the company on 14 June 1996. Its purpose is to facilitate the recruitment, retention and motivation of employees of the group. The Trust is administered by S. Black (Import & Export) Trustee Limited, a wholly owned subsidiary of S. Black Limited.

Investments include £457,000 relating to 3,536 £1 Ordinary shares of S. Black Limited acquired by the S. Black (Import & Export) Limited Employee Share Trust are held at cost less provision for impairment in value. The dividends on these shares have been waived. The accounts of the Trust have been included in these financial statements in accordance with Financial Reporting Standard 5 - Reporting the Substance of Transactions.

Notes (continued)

13 Fixed asset investments (continued)

| Company | Own shares £000 | Shares in group undertakings £000 | Listed investments £000 | Total £000 |
|------------------------------|--------------------|--|-------------------------------|---------------|
| Cost | | | | |
| At beginning and end of year | 495 | 762 | 17 | 1,274 |
| Provisions | | | | |
| At beginning of year | 38 | - | - | 38 |
| Provided in year | - | - | 2 | 2 |
| At end of year | 38 | - | 2 | 40 |
| Net book value | | | | |
| At 30 June 2002 | 457 | 762 | 15 | 1,234 |
| At 30 June 2001 | 457 | 762 | 17 | 1,236 |

The principal companies in which the company's interest at the year end is more than 20% are as follows:

| | Country of incorporation | Principal activity | Percentage of ordinary shares held |
|--|--------------------------|--|------------------------------------|
| Subsidiary undertakings | | | |
| S. Black GmbH | Germany | Technical sale and distribution of speciality chemicals and pigments | 90 |
| S. Black (Import & Export) Trustee Limited | England & Wales | Trustee | 100 |
| S. Black (Import & Export) Limited | England & Wales | Dormant | 100 |

All subsidiary undertakings are included in the consolidated financial statements.

The directors are of the opinion that there has been no impairment in the carrying value of the company's and group's investments.

Notes (continued)

14 Debtors

| | Group | | Company | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 4,603 | 4,496 | 4,236 | 4,206 |
| Amounts owed by group undertakings | - | - | 35 | 58 |
| Corporation tax | - | 6 | - | 6 |
| Other debtors | 21 | 21 | 9 | 11 |
| Deferred tax asset (see note 17) | 13 | - | 13 | - |
| Prepayments and accrued income | 197 | 136 | 186 | 133 |
| | <u>4,834</u> | <u>4,659</u> | <u>4,479</u> | <u>4,414</u> |

15 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts | 500 | - | 500 | - |
| Trade creditors | 2,512 | 2,374 | 2,331 | 2,259 |
| Amounts owed to group undertakings | - | - | - | - |
| Taxation and social security | 744 | 716 | 721 | 684 |
| Other creditors | 40 | 54 | 34 | 49 |
| Accruals and deferred income | 354 | 350 | 283 | 284 |
| Dividend accrued | 72 | 72 | 72 | 72 |
| | <u>4,222</u> | <u>3,566</u> | <u>3,941</u> | <u>3,348</u> |

The bank loan was taken out by S. Black (Import and Export) Limited Employee Share Trust to facilitate the acquisition of shares in S. Black Limited. The final £500,000 was repaid on 1 July 2002.

Notes (continued)

16 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---------------------------|--------------|-------------|----------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts | - | 500 | - | 500 |

Group and Company

Analysis of debt

Bank loans can be analysed as falling due:

| | 2002 | 2001 |
|---------------------------|-------------|-------------|
| | £000 | £000 |
| Less than one year | 500 | - |
| Between one and two years | - | 500 |
| | 500 | 500 |

17 Provisions for liabilities and charges

Group and Company

Deferred tax liability/(asset)
£000

| | |
|--|-------------|
| At beginning of year | 25 |
| Credit to the profit and loss account for the year | (38) |
| At end of year | (13) |

Group and Company

The elements of deferred taxation are as follows:

| | 2002 | 2001 |
|---|-------------|-------------|
| | £000 | £000 |
| Difference between accumulated depreciation and amortisation and capital allowances | 56 | 48 |
| Other timing differences | (69) | (23) |
| Undiscounted deferred tax (asset)/liability | (13) | 25 |

Notes (continued)

18 Called up share capital

| | 2002 | | 2001 | |
|--|----------------|------------|----------------|------------|
| | Number | £000 | Number | £000 |
| <i>Authorised</i> | | | | |
| Equity: Ordinary shares of £1 each | 182,150 | 182 | 182,150 | 182 |
| Non equity: 'A' ordinary shares of £1 each | 17,850 | 18 | 17,850 | 18 |
| | <u>200,000</u> | <u>200</u> | <u>200,000</u> | <u>200</u> |
| <i>Allotted, called up and fully paid</i> | | | | |
| Equity: Ordinary shares of £1 each | 96,150 | 96 | 96,150 | 96 |
| Non equity: 'A' ordinary shares of £1 each | 17,850 | 18 | 17,850 | 18 |
| | <u>114,000</u> | <u>114</u> | <u>114,000</u> | <u>114</u> |

Each 'A' Ordinary share was entitled to a cumulative preference net dividend of £9.80 per annum. If dividends payable on Ordinary shares exceed these amounts the 'A' Ordinary shares shall be entitled to receive the higher amount. At the option of 75% of the shareholders of this class of share the 'A' Ordinary shares may at any time, be converted to a like number of Ordinary shares at no additional cost. In the event of a capital reduction or winding up, the 'A' Ordinary shares have preferential rights compared with the Ordinary shares up to a value of £140.06 plus accrued dividends.

Executive Share Option Plan

Options under the Employee Share Option Plan were unchanged during the year.

Details of options outstanding are as follows:

| Price per share | Normal dates of exercise | Number of ordinary shares | |
|-----------------|--------------------------|---------------------------|--------------|
| | | 2002 | 2001 |
| £55 | 2002 – 2009 | <u>1,000</u> | <u>1,000</u> |

Notes (continued)

18 Called up share capital (continued)

Employee Share Option Scheme

Options under the Employee Share Option Scheme were unchanged during the year.

Details of options outstanding are as follows:

| Price per share | Normal dates of exercise | Number of ordinary shares | |
|-----------------|--------------------------|---------------------------|-------|
| | | 2002 | 2001 |
| £55 | 1999 – 2006 | 256 | 256 |
| £100 | 2000 – 2007 | 400 | 400 |
| | | <hr/> | <hr/> |
| | | 656 | 656 |
| | | <hr/> | <hr/> |

19 Share premium and reserves

| | Group | | Company | |
|------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Share premium account £000 | Profit and loss account £000 | Share premium account £000 | Profit and loss account £000 |
| At beginning of year | 350 | 11,803 | 350 | 12,033 |
| Retained profit for the year | - | 672 | - | 608 |
| Exchange adjustments | - | 40 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 350 | 12,515 | 350 | 12,641 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

20 Reconciliation of movements in shareholders funds

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Profit for the financial year | 1,754 | 1,487 | 1,690 | 1,467 |
| Dividends | (1,082) | (1,056) | (1,082) | (1,056) |
| Additional finance costs of non-equity interests | - | (4) | - | (4) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 672 | 427 | 608 | 407 |
| Other recognised gains relating to the year | 40 | (26) | - | - |
| New share capital subscribed | - | 190 | - | 190 |
| Amount added back to profit and loss account in respect of additional finance cost of non-equity interests | - | 4 | - | 4 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net addition to shareholders' funds | 712 | 595 | 608 | 601 |
| Opening shareholders' funds | 12,267 | 11,672 | 12,497 | 11,896 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Closing shareholders' funds | 12,979 | 12,267 | 13,105 | 12,497 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

21 Equity minority interests

| | Group | |
|--------------------------|--------------|--------------|
| | 2002 £000 | 2001 £000 |
| At beginning of year | 59 | 60 |
| Retained profit for year | 7 | 2 |
| Exchange differences | 5 | (3) |
| | <hr/> | <hr/> |
| At end of year | 71 | 59 |
| | <hr/> | <hr/> |

Notes (continued)

22 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

| | Group | | Company | |
|------------|--------------|--------------|--------------|--------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Contracted | 90 | 119 | 90 | 119 |

- (b) Annual commitments under non-cancellable operating leases are as follows:

| | 2002 | | 2001 | |
|--|-------------------------------|---------------|-------------------------------|---------------|
| Group | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | 1 |
| In the second to fifth years inclusive | 21 | 5 | 14 | - |
| | <u>21</u> | <u>5</u> | <u>14</u> | <u>1</u> |

The company has no operating leases.

The group enters into forward exchange contracts to hedge foreign currency transactions. At 30 June 2002 the group had contracts to exchange the equivalent of £442,000 (2001: £739,000) into various international currencies, all of which were accounted for as hedges.

23 Pension scheme

The group operates three defined contribution pension schemes.

There is a single member defined benefits scheme which has back to back insurance. The actuarial liability at 30 June 2002 was £17,000 (2001: £13,000) which was included in the balance sheet. The discontinuance value of the insurance policy at 30 June 2002 was £12,000 (2001: £9,000) and this has been included in the balance sheet.

The pension cost charge for the year represents contributions payable by the group to the group pension schemes and amounted to £77,000 (2001: £58,000). There were outstanding pension contributions of £1,000 (2001: £nil) which were provided for at the year end.

Notes (continued)

24 Analysis of cash flows

| | 2002 | | 2001 | |
|---|-------|-------|-------|-------|
| | £000 | £000 | £000 | £000 |
| Returns on investment and servicing of finance | | | | |
| Interest received | 154 | | 173 | |
| Interest paid | (47) | | (45) | |
| Non equity dividend paid | (174) | | (150) | |
| | | (67) | | (22) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | (498) | | (461) | |
| Sale of tangible fixed assets | 33 | | 11 | |
| | | (465) | | (450) |
| Financing | | | | |
| Issue of share capital | | - | | 190 |

25 Analysis of net funds

| | At beginning of year £000 | Cash flow £000 | Other non cash changes £000 | At end of year £000 |
|--------------------------|---------------------------------|-------------------|-----------------------------------|---------------------------|
| Cash at bank and in hand | 3,632 | (134) | - | 3,498 |
| | 3,632 | (134) | - | 3,498 |
| Debt due within one year | - | - | (500) | (500) |
| Debt due after one year | (500) | - | 500 | - |
| Total | 3,132 | (134) | - | 2,998 |

Notes *(continued)*

26 Related party disclosures

Mr S Black was a director and major shareholder of SBS Worldwide Limited which invoiced the group £294,000 (2001: £303,000) in respect of freight charges on imported materials during the year. All transactions were conducted at an arms length basis on normal trading terms. At 30 June 2002 the net amount due to SBS Worldwide Limited was £15,000 (2001: £23,000) and is included in creditors.