

**Crompton Europe Limited**

**Directors' report and consolidated  
financial statements**

**Registered number SCO97824**

**29 December 2001**



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## Directors' report

The directors present their annual report and the audited financial statements for the financial year, being the period ended 29 December 2001. As explained further in note 1, these financial statements reflect the activities of the group headed by Crompton Europe Limited.

### Principal activities

The principal activities of the group are to act as agent for other Crompton group companies in the marketing and technical support of agricultural and industrial chemicals and the manufacture of plastic extrusion machinery.

### Business review and future prospects

The consolidated loss for the period after taxation amounted to £2,217,000 (*2000: profit £358,000*). This has been due to the cessation of trade in a subsidiary company Davis Standard Limited and the start up costs of relocating and commencing trade in another subsidiary company DS Brookes Limited. The company profit for the period after taxation amounted to £675,000 (*2000: £555,000*). No dividend has been proposed for the current period (*2000: £nil*).

### Research and development

In the year, four new approvals were granted to the company, along with a number of other minor extensions.

### Directors and directors' interests

The directors who held office during the year were as follows:

A Ingulli  
PE Boury  
GH Fickenscher

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group company.

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Political and charitable contributions

The company made no political or charitable contributions during the financial year (*2000: £nil*).

## **Directors' report** *(continued)*

### **Employees**

Employees at all levels are actively encouraged to contribute their ideas and suggestions through the company suggestion scheme. Information on business performance and future plans is communicated to all employees through regular meetings.

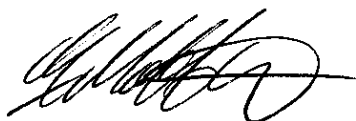
### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

### **Auditors**

KPMG were reappointed as auditors at the last Annual General meeting of the Company. However, since that date their audit practice has been transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 15 May 2002 and the directors subsequently appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**G Moffat**  
*Secretary*

4th Floor  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

## **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 report of the auditor's to the members of Crompton Europe Limited**

We have audited the financial statements on pages 5 to 18.

### **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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the 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 29 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*29 JAN 2003*

**Consolidated profit and loss account**  
*for the year ended 29 December 2001*

	<i>Note</i>	<b>Discontinued operations 2001 £000</b>	<b>Continuing operations 2001 £000</b>	<b>Total 2001 £000</b>	<b>Total Continuing 2000 £000</b>
<b>Turnover</b>	2	4,179	19,105	23,284	22,801
Cost of sales		(4,004)	(18,473)	(22,477)	(20,959)
<b>Gross profit</b>		175	632	807	1,842
Distribution costs		(231)	(174)	(405)	(364)
Administrative expenses		(1,674)	(448)	(2,122)	(946)
<b>Operating profit</b>	3-5	(1,730)	10	(1,720)	532
Loss on disposal of discontinued operations				(1,742)	-
Other interest receivable and similar income	6			174	21
Interest payable and similar charges	7			(21)	(16)
<b>Profit on ordinary activities before taxation</b>				(3,309)	537
Tax on profit on ordinary activities	8			836	(179)
<b>Profit for the financial year</b>				(2,473)	358

The notes on pages 8 to 18 form part of these financial statements.

There are no recognised gains or losses other than the profit for the current and preceding financial year.

The profit for the financial period dealt with in the financial statements of the company was £675,000

(2000: £555,000 before dividends).

**Consolidated balance sheet**  
*at 29 December 2001*

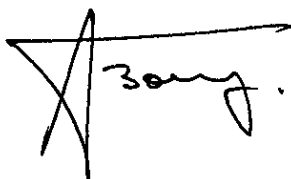
	Note	29 December 2001 £000	29 December 2001 £000	29 December 2000 £000	29 December 2000 £000
<b>Fixed assets</b>					
Intangible assets	9		434		1,129
Tangible assets	10		3,262		3,389
			<u>3,696</u>		<u>4,518</u>
<b>Current assets</b>					
Stocks	12	230		1,722	
Debtors	13	14,254		8,528	
Cash at bank and in hand		-		35	
		<u>14,484</u>		<u>10,285</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(9,357)</u>		<u>(5,814)</u>	
<b>Net current assets</b>			<u>5,127</u>		<u>4,471</u>
<b>Total assets less current liabilities</b>			<u>8,823</u>		<u>8,989</u>
<b>Creditors: amounts falling due after more than one year</b>	15		<u>(9,239)</u>		<u>(6,990)</u>
<b>Provisions for liabilities and charges</b>	16		<u>(141)</u>		<u>(83)</u>
<b>Net assets</b>			<u>(557)</u>		<u>1,916</u>
<b>Capital and reserves</b>					
Called up share capital	17		1,697		1,697
Profit and loss account	18		(2,254)		219
<b>Equity shareholders' funds</b>	19		<u>(557)</u>		<u>1,916</u>

The notes on pages 8 to 18 form part of these financial statements.

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

24.01.03 and were signed on

P Boury  
Director





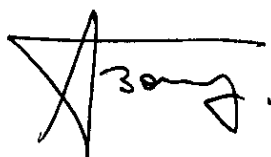
**Company balance sheet**  
*at 29 December 2001*

	<i>Note</i>	<b>26 December 2001 £000</b>	<b>26 December 2001 £000</b>	<b>29 December 2000 £000</b>	<b>29 December 2000 £000</b>
<b>Fixed assets</b>					
Intangible fixed assets	9		370		-
Tangible fixed assets	10		2,561		1,578
Investments	11		100		100
			<hr/>		<hr/>
			3,031		1,678
<b>Current assets</b>					
Stocks	12	-		-	
Debtors	13	9,061		6,211	
Cash at bank and in hand		-		-	
		<hr/>		<hr/>	
				6,211	
<b>Creditors: amounts falling due within one year</b>	14	(8,732)		(5,231)	
		<hr/>		<hr/>	
<b>Net current assets</b>			329		980
<b>Total assets</b>			3,360		
<b>Provisions for liabilities and charges</b>			(27)		
			<hr/>		<hr/>
<b>Net assets</b>			3,333		2,658
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		1,697		1,697
Profit and loss account	18		1,636		961
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	19		3,333		2,658
			<hr/>		<hr/>

The notes on pages 8 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 24.01.03 and were signed on its behalf by:

P Boury  
Director



## 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 company'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.

Under Financial Reporting Standard 1: Cash Flow Statements (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the voting rights of the company are controlled within the group headed by Crompton Corporation, the company has taken advantage of the exemption contained in Financial Reporting Standard No. 8: Related party disclosures, and has therefore not disclosed transactions or balances with entities which form part of the group.

#### *Basis of consolidation*

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of acquisition.

In the company's financial statements, investments in the subsidiary undertakings are stated at cost.

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

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

#### *Fixed assets and depreciation*

Depreciation is not provided on freehold land. Depreciation is provided on other assets to write-off cost less the estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	-	4% per annum
Machinery, equipment, fixtures and fittings	-	6½% - 30% per annum

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

#### *Leases*

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

#### *Pensions costs*

The company contributes to personal pension schemes on behalf of certain employees. Pension costs are charged to the profit and loss account as incurred.

#### *Stocks*

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

#### *Taxation*

The charge for taxation is based on profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### 2 Turnover

	2001 £000	2000 £000
Provision for services	17,708	15,477
Materials	1,397	-
Sale of machinery	3,778	6,592
Spare parts and service	390	709
Laboratory trials	11	23
	<hr/> 23,284 <hr/>	<hr/> 22,801 <hr/>

## Notes (continued)

### 3 Profit/(loss) on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging / (crediting):</i>		
Auditors' remuneration:		
Group           - audit	37	38
- other services	5	14
Company       - audit	25	21
- other services	-	11
Depreciation owned assets	296	311
Amortisation of goodwill	1,062	61
Exchange loss/(gain)	167	41
Hire of plant and machinery - rentals payable under operating leases	150	280
Hire of other assets - operating leases	161	300
Research and development expenditure	2,444	2,632
	<u>          </u>	<u>          </u>

### 4 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments - Company	112	52
	<u>          </u>	<u>          </u>

#### Number of directors

2001           2000

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1	1
	<u>          </u>	<u>          </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 2001	2000
Selling and distribution	74	63
Administration	22	38
Research, development and technical advice	61	63
Manufacturing	49	-
	<u>          </u>	<u>          </u>
	206	164
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	6,198	4,959
Social security costs	630	482
Other pension costs	250	203
	<u>7,078</u>	<u>5,644</u>

### 6 Other interest receivable and similar income

	2001 £000	2000 £000
Bank interest	39	21
	<u>39</u>	<u>21</u>

### 7 Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	7	16
Payable on group loans	14	-
	<u>21</u>	<u>16</u>

### 8 Taxation

	2001 £000	2000 £000
UK corporation tax on the profit for the year on ordinary activities	212	251
Adjustments in respect of prior year	(168)	33
Amounts receivable in respect of group relief	(1,036)	(91)
ACT surrendered	-	(74)
Deferred taxation (see note 16)	156	60
	<u>(836)</u>	<u>179</u>
Total current tax charge	<u>(836)</u>	<u>179</u>

## Notes (continued)

### 9 Intangible fixed assets

Group	Licences £000	Goodwill £000	Total £000
<b>Cost</b>			
At beginning of financial year	-	1,286	1,286
Additions	370	-	370
	<hr/>	<hr/>	<hr/>
At end of financial year	370	1,286	1,656
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At beginning of financial year	-	157	157
Charged in financial year	-	1,065	1,065
	<hr/>	<hr/>	<hr/>
At end of financial year	-	1,222	1,222
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 29 December 2001	370	64	434
	<hr/>	<hr/>	<hr/>
At 29 December 2000	-	1,129	1,129
	<hr/>	<hr/>	<hr/>
<b>Company</b>			<b>Licences £000</b>
<b>Cost</b>			
At beginning of financial year			-
Additions			370
			<hr/>
At end of financial year			370
			<hr/>
<b>Amortisation</b>			
At beginning of financial year			-
Charged in financial year			-
			<hr/>
At end of financial year			-
			<hr/>
<b>Net book value</b>			
At 29 December 2001			370
			<hr/>
At 29 December 2000			-
			<hr/>

## Notes (continued)

### 10 Tangible fixed assets

Group	Freehold land and buildings	Machinery, equipment, fixtures and fittings	Assets in the course on construction	Total
	£000	£000	£000	£000
<b>Cost</b>				
At beginning of financial year	1,865	2,760	988	5,613
Additions	553	746	456	1,755
Disposals	(1,261)	(482)	-	(1,743)
Transfers	274	1,126	(1,400)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year	1,431	4,150	44	5,625
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of financial year	382	1,842	-	2,224
Disposals	(69)	(223)	-	(292)
Charge for year	91	340	-	431
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year	404	1,959	-	2,363
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 29 December 2001	1,027	2,191	44	3,262
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 December 2000	1,483	918	988	3,389
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
	Freehold land and buildings	Machinery, equipment, fixtures and fittings	Assets in the course on construction	Total
	£000	£000	£000	£000
<b>Cost</b>				
At beginning of financial year	604	2,272	714	3,590
Additions	99	724	456	1,279
Disposals	-	-	-	-
Transfers	-	1,126	(1,126)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year	703	4,122	44	4,869
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of financial year	330	1,682	-	2,012
Disposals	-	-	-	-
Charge for year	26	270	-	296
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year	356	1,952	-	2,308
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 29 December 2001	347	2,170	44	2,561
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 2000	274	590	714	1,578
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings
	£000
Net book value - at beginning and end of year	
Davis Standard Limited	<b>100</b>

#### Additional information on subsidiary undertakings

Name	Country of registration	Type of shares held	% of shares held	Activity
Davis Standard Limited	England and Wales	Ordinary £1	100%	Manufacture of extension machinery and ancillary equipment for use in the plastics industry
DS Brookes Limited	England and Wales	Ordinary £1	100%	Manufacture of b-metallic screws and barrels

### 12 Stocks

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Raw materials and consumables	24	607	-	-
Work in progress	206	532	-	-
Finished goods and goods for resale	-	583	-	-
	<b>230</b>	<b>1,722</b>	<b>-</b>	<b>-</b>

### 13 Debtors

#### (a) Debtors falling due within 1 year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Trade debtors	1,016	2,466	-	-
Amounts owed by group undertakings	12,087	4,597	8,075	4,826
Other debtors	179	1,133	91	951
Prepayments and accrued income	972	247	895	292
	<b>14,254</b>	<b>8,443</b>	<b>9,061</b>	<b>6,069</b>



## Notes (continued)

### 13 Debtors (continued)

(b) Debtors falling due after more than 1 year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Deferred tax asset (see note 16)	-	85	-	142
	<u>-</u>	<u>85</u>	<u>-</u>	<u>142</u>
	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Total debtors	-	8,528	-	6,211
	<u>-</u>	<u>8,528</u>	<u>-</u>	<u>6,211</u>

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Bank loans and overdrafts	512	52	303	17
Payments received on account	-	159	-	-
Trade creditors	1,120	2,194	99	1,937
Amounts owed to group undertakings	3,225	1,856	3,566	2,245
Corporation tax	25	-	-	-
Other creditors including taxation and social security	395	274	295	-
Accruals and deferred income	4,080	1,279	4,469	1,032
	<u>9,357</u>	<u>5,814</u>	<u>8,732</u>	<u>5,231</u>

### 15 Creditors: amounts falling due after more than one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Amounts owed to group undertakings	9,239	6,990	-	-
	<u>9,239</u>	<u>6,990</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 16 Provision for liabilities and charges

	2001 Warranty provision £000	2001 Deferred taxation £000	2001 Total £000
<b>Group</b>			
At 30 December 2000	83	(85)	(2)
(Credit)/charge for the year	(13)	156	143
	<u>70</u>	<u>71</u>	<u>141</u>
At 29 December 2001	<u>70</u>	<u>71</u>	<u>141</u>
<b>Company</b>			
At 30 December 2000	-	(142)	(142)
Charge for the year	-	169	169
	<u>-</u>	<u>27</u>	<u>27</u>
At 29 December 2001	<u>-</u>	<u>27</u>	<u>27</u>

At the end of the period the following balances were provided and unprovided for deferred tax.

	2001 Provided £000	2001 Unprovided £000	2000 Provided £000	2000 Unprovided £000
<b>Group</b>				
Difference between accumulated depreciation and amortisation and capital allowances	291		135	-
Short term timing differences	(220)	(168)	(220)	-
Tax losses	-	(258)	-	(19)
	<u>71</u>	<u>(426)</u>	<u>(85)</u>	<u>(19)</u>
Deferred tax liability/(asset)	<u>71</u>	<u>(426)</u>	<u>(85)</u>	<u>(19)</u>
<b>Company</b>				
Difference between accumulated depreciation and amortisation and capital allowances	247	-	78	-
Short term timing differences	(220)	-	(220)	-
	<u>27</u>	<u>-</u>	<u>(142)</u>	<u>-</u>
Deferred tax liability/(asset)	<u>27</u>	<u>-</u>	<u>(142)</u>	<u>-</u>

The group balance for 2000 of £85,000 and the company balance for 2000 of £142,000 for deferred tax assets were recognised in debtors (see note 13).

## Notes (continued)

### 17 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,697,372 ordinary shares of £1 each	1,697	1,697
	<hr/>	<hr/>

### 18 Reserves

	2001 Group £000	2001 Company £000
At 30 December 2000	219	961
Profit for the financial year	(2,473)	675
	<hr/>	<hr/>
At 26 December 2001	(2,254)	1,636
	<hr/>	<hr/>

### 19 Reconciliation of movements in shareholders' funds

	2001 Group £000	2001 Company £000
At 30 December 2000	1,916	2,658
Profit for the financial year	(2,473)	675
	<hr/>	<hr/>
At 29 December 2001	(557)	3,333
	<hr/>	<hr/>

### 20 Contingent liabilities

	2001 Group £000	2001 Company £000	2000 Group £000	2000 Company £000
Bank guarantees	-	-	1,429	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 21 Annual commitments under non-cancellable operating leases are as follows:

	2001 Plant and machinery £000	2001 Land and buildings £000	2000 Plant and machinery £000	2000 Land and Buildings £000
<b>Group</b>				
Operating leases which expire:				
Within one year	-	-	6	-
In the second to fifth years inclusive	936	431	347	330
	<u>936</u>	<u>431</u>	<u>353</u>	<u>330</u>
<b>Company</b>				
Operating leases which expire:				
In the second to fifth years inclusive	304	431	250	330
	<u>304</u>	<u>431</u>	<u>250</u>	<u>330</u>

### 22 Ultimate parent company and parent undertaking of larger group

At the year end the company's ultimate parent company and controlling party was Crompton Corporation, a company incorporated in the United States of America. Crompton Manufacturing Co. Inc., a company incorporated in the United States of America, is the immediate parent undertaking of Crompton Europe Limited and prepares consolidated accounts. The largest group in which the results of the company and its subsidiary are consolidated is that headed by Crompton Corporation. Copies of the consolidated financial statements of these groups are available from The Securities Exchange Commission, Washington D.C. 20549.