

Tennants Fine Chemicals Limited
(formerly Tessengerlo Fine Chemicals Limited)

**Directors' report and financial
statements**

Registered number 646784

31 December 2010



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Company Information

Directors

JM Groenen (resigned 31 1 2011)

BDG Stockhem (resigned 31 1 2011)

DL Van Deynse (resigned 31 1 2011)

AM Van Wallegem (resigned 31 1 2011)

JMA Vandendriessch (resigned 31 12 2009)

Pol Deturck (resigned 31 1 2011)

W P Alexander (appointed 31 1 2011)

A C Gingell (appointed 31 1 2011)

K G Jones (appointed 31 1 2011)

K Sharp (appointed 16 2 2011)

Secretary

AM Van Wallegem (resigned 31 1 2011)

Auditors

KPMG LLP

8 Princes Parade

Liverpool

L3 1QH

Registered office

Macclesfield Road

Leek

Staffordshire

ST13 8UZ

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the company during the year was the processing of chemicals

Results and dividends

The profit and loss account and balance sheet, together with appropriate notes, are set out on pages 7 to 18. No interim dividends have been paid (2009 £nil) and the directors do not propose a final dividend (2009 £nil)

Business review

Compared to 2009 the business benefitted significantly from continued strong demand across our major market areas of Tobacco and Flavours and Fragrances, even the Foundry markets showed some improvement although they have still not returned to pre-recession levels. Efforts continue to balance some of the currency risks across sales and purchases. The aroma market was particularly strong, which we were unable to satisfy without external tolling. This depressed margins to similar levels to 2009 despite the increased volumes, however, in the Tobacco market we were able to satisfy increased demand and this had a very positive effect on the overall result.

On 31 January 2011 the Company was acquired by Tennants Consolidated Limited. The Company will operate as a subsidiary of Tennants Consolidated Limited under the name of Tennants Fine Chemicals Limited.

Principal risks and uncertainties

Going forward the business is affected by some favourable factors. There have been some changes in the market of both the aromas and the acetates which in turn is expected to give rise to profitable growth in future years. Commodity prices are expected to rise steeply and it is uncertain if these increases will be for a relatively short period or if they will be sustained, but in any event rising prices of raw materials could cause some loss of margin before they can be passed on in terms of increased finished product prices.

Foreign exchange risk, continues to be an exposure as the majority of customers are outside the UK.

The Company's key performance indicators are,

	2010	2009	2008
Volume (t's)	27,311	22,202	26,707
Turnover (£000's)	45,046	36,402	36,224
Ave Sales Price (per tonne)	£1,650	£1,640	£1,356
Ave People	85	80	81

Research and development

The Company advanced its research and development activities primarily in the areas of process and product development. A new process entered the first stages of the patent process for a major Aroma Chemical. The costs of these activities during the year amounted to £282,000 (2009 £446,000).

Directors' report *(continued)*

Employment of disabled persons

Where individuals become disabled whilst in the company's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose. In dealing with applications for employment and training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

Employee involvement

A system of departmental and works consultative committees exists at the Leek site. Periodically, the company provides information regarding the financial and economic factors affecting its performance.

Donations

Charitable donations of £2,000 were paid in the year (2009 £2,130). No political donations were made in the year (2009 £nil).

Payment of suppliers

The company has a general policy to pay suppliers in accordance with the contract terms agreed with them or, in the absence of such contract terms, in accordance with the company's own standard terms of trading, provided circumstances permit this and that the supplier is also complying with all relevant terms and conditions. Trade creditors at 31 December 2010 were equivalent to 46 days purchases (2009 59 days).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



K Sharp
Director

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of Tennants Fine Chemicals Limited (formerly Tessenderlo Fine Chemicals Limited)

We have audited the financial statements of Tennants Fine Chemicals Limited (formerly Tessenderlo Fine Chemicals Limited) for the year ended 31 December 2010 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Tennants Fine Chemicals Limited (formerly Tessengerlo Fine Chemicals Limited) (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



E W Baker (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory auditor
Chartered Accountants

23rd May 2011

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	<i>1</i>	45,046	36,402
Cost of sales		(40,628)	(32,642)
		<hr/>	<hr/>
Gross profit		4,418	3,760
Administrative expenses		(1,259)	(1,655)
Selling and distribution expenses		(815)	(778)
		<hr/>	<hr/>
Operating profit	<i>2</i>	2,344	1,327
Other interests receivable and similar income	<i>3</i>	-	178
Interest payable and similar costs	<i>4</i>	(92)	(139)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,252	1 366
Taxation on profit on ordinary activities	<i>5</i>	(555)	(539)
		<hr/>	<hr/>
Profit for the financial year	<i>14</i>	1,697	827
		<hr/> <hr/>	<hr/> <hr/>

All turnover and operating profits/losses in both financial years are derived from continuing operations

There were no recognised gains or losses during the current or preceding year apart from those shown above

Balance sheet
at 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Fixed assets			
Tangible assets	7	7,185	8,491
Current assets			
Stocks	8	3,436	2,562
Debtors	9	4,762	4,583
Cash at bank and in hand		30	37
		<hr/>	<hr/>
Creditors: amounts falling due within one year	<i>10</i>	8,228 (6,574)	7,182 (7,561)
		<hr/>	<hr/>
Net current assets/(liabilities)		1,654	(379)
		<hr/>	<hr/>
Total assets less current liabilities		8,839	8,112
Creditors: amounts falling due after more than one year	<i>11</i>	-	(1,000)
Provisions for liabilities and charges	<i>12</i>	(213)	(183)
		<hr/>	<hr/>
Net assets including pension liability		8,626	6,929
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>13</i>	9,799	9,799
Capital redemption reserve	<i>14</i>	1,087	1,087
Profit and loss account	<i>14</i>	(2,260)	(3,957)
		<hr/>	<hr/>
Shareholders' funds		8,626	6,929
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 16.5.11 and were signed on its behalf by


K Sharp
Director

Notes

(forming part of the financial statements)

I Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements

Foreign currencies

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling at the exchange rates prevailing at the dates of those transactions

Foreign currency assets and liabilities have been translated into sterling at the market rates at the balance sheet date. All translation differences are dealt with through the profit and loss account

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost, less accumulated depreciation. Depreciation is calculated on a straight line basis so as to write-off the cost of the various assets over the period of their expected useful economic lives, as follows

Freehold buildings	-	10 - 20 years
Plant and machinery, fixtures and fittings, and tools and equipment	-	5 - 15 years

No depreciation is provided on freehold land or capital work in progress

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Stock valuation

Stocks are stated at the lower of cost and net realisable value. Overheads are absorbed into the cost of finished goods and work in progress based on product specific production costs

Notes (continued)

1 Accounting policies (continued)

Research and development

Research and development expenditure is written off in the year in which it is incurred

Operating leases

Operating lease rentals are charged against profits as incurred over the lease term

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Post-retirement benefits

At 31 December 2010, the Company operated a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme were held separately from those of the Company

The Company was unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Following the acquisition by Tennants Consolidated Limited on 31 January 2011, the Company will provide for post employment benefits under a stakeholder scheme. The existing defined benefit scheme will continue to be guaranteed by Tessenderlo Holding UK Limited

Cash flow statement

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

Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption afforded by Financial Reporting Standard 8 not to disclose related party transactions with other members of the Tessenderlo Chemie NV group. No director during the period has been materially interested in any contract with the company

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents amounts invoiced to third parties and other Tessenderlo group companies, net of value added tax, arising from the sale of chemicals and related products

The operations of the company take place wholly in the United Kingdom and as such there are no overseas operations. All assets used by the company are held in the United Kingdom and therefore no disclosure is required in respect of segmental operations

2 Operating profit/(loss)

<i>Operating profit is stated after charging/(crediting) the following amounts</i>	2010	2009
	£000	£000
Operating lease rentals – plant and machinery	64	100
Depreciation on owned assets	1,553	1,574
Auditors' remuneration		
- audit services	24	22
Research and development expenditure	282	446
	<u> </u>	<u> </u>

3 Other interest received and similar income

	2010	2009
	£000	£000
Net foreign exchange gains	-	178
	<u> </u>	<u> </u>

4 Interest payable and similar costs

	2010	2009
	£000	£000
Interest payable to group undertaking	83	139
Net foreign exchange losses	9	-
	<u> </u>	<u> </u>
	<u>92</u>	<u>139</u>

Notes (continued)

5 Taxation on loss on ordinary activities

	2010 £000	2009 £000
<i>UK Corporation tax</i>		
UK Corporation tax charge/(credit) on profit/(loss) for the year	325	(200)
Group relief adjustment in respect of prior years	200	432
	525	232
<i>UK deferred tax</i>		
Origination and reversal of timing differences	30	307
	30	307
Total deferred tax (note 12)	30	307
	555	539

The tax assessed for the period is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%)
The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	2252	1,366
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	631	382
<i>Effects of</i>		
Expenses not deductible for tax purposes	5	47
Depreciation in excess of capital allowances	54	(510)
Group relief adjustment in respect of prior periods	200	432
Other timing differences	(365)	(119)
	525	232

Notes *(continued)*

6 Directors and employee information

	2010	2009
	£000	£000
<i>Staff costs</i>		
Wages and salaries	2,553	2,586
Social security costs	227	218
Other pension costs (note 16)	463	310
	3,243	3,114
	3,243	3,114

The average monthly number of persons employed by the company during the year was

	2010	2009
	Number	Number
<i>By activity</i>		
Production	62	58
Selling and distribution	14	13
Administration	9	9
	85	80
	85	80

Directors' emoluments in the year amounted to £nil (2009 £nil) No directors are members of the company's defined benefit pension scheme (2009 nil)

The emoluments of the highest paid director were £nil (2009 £nil) and company contribution of £nil (2009 £nil) were made to a defined benefit pension scheme on his behalf

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Capital work in progress	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of year	1,184	18,762	2,167	-	22,113
Reclassifications	-	184	-	(184)	-
Additions	-	-	-	256	256
At end of year	1,184	18,946	2,167	72	22,369
<i>Depreciation</i>					
At beginning of year	175	11,289	2,158	-	13,622
Charge for the year	6	1,547	9	-	1,562
At end of year	181	12,836	2,167	-	15,184
<i>Net book value</i>					
At 31 December 2010	1,003	6,110	-	72	7,185
At 31 December 2009	1,009	7,473	9	-	8,491

Included within freehold land and buildings is land amounting to £500,000 (2009 £500,000) which is not depreciated

8 Stocks

	2010 £000	2009 £000
Raw materials and consumables	1,360	1,014
Work in progress	186	140
Finished goods and goods for resale	1,890	1,408
	3,436	2,562

9 Debtors

	2010 £000	2009 £000
Trade debtors	4,145	4,005
Amounts owed by group undertakings	361	341
Prepayments and accrued income	129	53
Other taxation and social security	127	69
Corporation tax recoverable	-	115
	4,762	4,583

Corporation tax recoverable represents amount receivable from the company's parent company in the United Kingdom for tax losses surrendered within the group in the United Kingdom at the current tax rate of 28% (2009 28%)

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	4,785	5,492
Amounts owed to group undertakings	953	1,447
Other taxation and social security	211	270
Other creditors and accruals	215	352
Corporation tax payable	410	-
	6,574	7,561

11 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to group undertakings	-	1,000
	-	1,000

Analysis of debt

	2010 £000	2009 £000
Debt can be analysed as falling due		
In one year or less, or on demand	-	1,000
Between one and two years	-	1,000
Between two and five years	-	-
In five years or more	-	-
	-	2,000

12 Provisions for liabilities

	Deferred tax £000
At the beginning of year	183
Utilised during the year	-
Charge to the profit and loss for the year	30
	213

Notes (continued)

12 Provision for liabilities (continued)

The elements of deferred taxation are as follows

	2010		2009	
	Potential £000	Actual £000	Potential £000	Actual £000
Accelerated capital allowances	233	233	544	544
Short term timing differences	(20)	(20)	(172)	(172)
Trade losses	-	-	(189)	(189)
	<u>213</u>	<u>213</u>	<u>183</u>	<u>183</u>
Deferred tax liability/(asset)	<u>213</u>	<u>213</u>	<u>183</u>	<u>183</u>

The closing deferred tax balance has been based on the 27% tax rate that comes into effect on 1st April 2011 as it is believed that all timing differences will reverse over future years with this as the effective rate

13 Called up share capital

	2010 £000	2009 £000
<i>Authorised</i>		
100,000,000 Cumulative redeemable preference shares of £1 each	100,000	100,000
50,130,000 Ordinary shares of £1 each	50,130	50,130
	<u>150,130</u>	<u>150,130</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	9,799	9,799
	<u>9,799</u>	<u>9,799</u>

14 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2010	9,799	1,087	(3,957)	6,929
Profit for the year	-	-	1,697	1,697
	<u>9,799</u>	<u>1,087</u>	<u>(2,260)</u>	<u>8,626</u>
At 31 December 2010	<u>9,799</u>	<u>1,087</u>	<u>(2,260)</u>	<u>8,626</u>

Notes *(continued)*

15 Operating leases – plant and machinery

	2010 £000	2009 £000
Annual commitments payable under non-cancellable operating leases expiring		
Within one year	21	1
Between two and five years	12	65
	33	66
	33	66

16 Pension arrangements

At 31 December 2010, the Company operated a defined benefit scheme providing benefits based on final pensionable pay. This pension scheme was held within Tessenderlo Holding UK Limited. Because the Company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

At 31 December 2010, the scheme had a total gross surplus of £6,518,829 (2009 £5,224,402)

The latest full actuarial valuation was carried out at 1 January 2007 and was updated for FRS 17 purposes to 31 December 2010 and 31 December 2009 by a qualified independent actuary.

Contributions paid for the year and accounted on a defined contribution basis in respect of its employees participating in the scheme was £463,000 (2009 £310,000). It has been agreed that the employer contribution rate will be 23.3% of scheme earnings (salary received from the employer excluding bonuses less an amount determined by the trustees based on the rate of the Basic State Pension and other factors deemed appropriate).

Following the acquisition by Tennants Consolidated Limited on 31 January 2011, the Company has entered into a withdrawal arrangement in respect of the defined benefit scheme. Under the terms of the withdrawal arrangement the defined benefit scheme will be guaranteed by Tessenderlo Chemie NV and this releases the Company from any further liability under the scheme. The Company will provide for post employment benefits under a stakeholder scheme.

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

The immediate parent undertaking and controlling party at 31 December 2010 was Tessenderlo Holding UK Limited, a company registered in England and Wales which in turn is a wholly owned subsidiary undertaking of the ultimate parent company and controlling party, Tessenderlo Chemie NV, which is incorporated in Belgium. Copies of the Tessenderlo Chemie NV consolidated accounts may be obtained from the registered office, Rue du Trone 130, B-1050 Brussels.

18 Post balance sheet events

On 31 January 2011, the Company's entire share capital was acquired by Tennants Consolidated Limited and its name was changed to Tennants Fine Chemicals Limited. Following acquisition, the Company was financed by a loan from Tennants Consolidated Limited of £4,051,760.

18 Post balance sheet events (continued)

On 16 February 2011, the following movements in the Company's share capital took place. A total of 4,973,280 ordinary shares of £1 each were issued to Tennants Consolidated Limited in consideration of £1,000,000 in cash and partial capitalisation of the loan, a reduction in capital was effected by cancelling 8,772,642 ordinary shares of £1 each together with the capital redemption reserve of £1,087,000.

This capital reconstruction increased distributable reserves by £9,859,642 and resulted in the Company having an issued ordinary share capital of £6,000,000.