

**Tessengerlo Fine Chemicals Limited**

**Directors' report and financial  
statements**

Registered number 646784

31 December 2009



## **Contents**

Company Information	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditors' report to the members of Tessenderlo Fine Chemicals Limited	5
Profit and loss account	7
Balance sheet	8
Notes	9

## **Company Information**

### **Directors**

JM Groenen

BDG Stockhem

DL Van Deynse

AM Van Wallegghem

JMA Vandendriessch (resigned 31 December 2009)

Pol Deturck (appointed 1 January 2010)

### **Secretary**

AM Van Wallegghem

### **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 2009

### 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 17 No interim dividends have been paid (2008 £nil) and the Directors do not propose a final dividend (2008 £nil)

### Business review

Compared to 2008 the business benefitted significantly from the linking of long term sales prices of acetates to raw material (glycerine) prices and by balancing currency risk on sales and purchases  
The effect of these consistent reasonable margins outweighed the loss of volume in some product areas due to the continuing recession

In the aromas business, market share was recovered but this had a depressive effect on prices However, together with a more favourable dollar exchange rate, the increased volumes delivered an improved performance

### Principal risks and uncertainties

Going forward the business is affected by some favourable factors There has 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 to come

Foreign exchange risk continues to be a significant exposure as the majority of customers are outside the UK This exposure is managed by Tessengerlo group treasury fund

The Company's key performance indicators are,

	2009	2008	2007
Volume (t's)	22,202	26,707	27,944
Turnover (£000's)	36,402	36,224	31,657
Ave Sales Price	£1,640	£1,356	£1,139
Ave People	80	81	94

### Research and development

The Company advanced its research and development activities primarily in the areas of process and product development The costs of these activities during the year amounted to £446,000 (2008 £331,000)

## 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 £2,130 were paid in the year (2008 £2,000). No political donations were made in the year (2008 £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 2009 were equivalent to 59 days purchases (2008 46 days).

### Disclosure of information to auditors

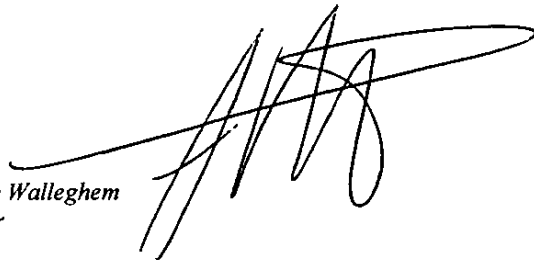
The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself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

AM Van Wallegem  
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 Tessenderlo Fine Chemicals Limited**

We have audited the financial statements of Tessenderlo Fine Chemicals Limited for the year ended 31 December 2009 set out on pages 7 to 17. 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 to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As 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 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 web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **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 2009 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 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*

9<sup>th</sup> July 2010



**Profit and loss account**  
*for the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> £000	2008 £000
<b>Turnover</b>	<i>1</i>	<b>36,402</b>	36,224
Cost of sales		<b>(32,642)</b>	(34,396)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>3,760</b>	1,828
Administrative expenses (including exceptional item of £nil (2008 £1,385,000))		<b>(1,655)</b>	(3,554)
Selling and distribution expenses		<b>(778)</b>	(1,211)
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>	<i>2</i>	<b>1,327</b>	(2,937)
Other interests receivable and similar income	<i>3</i>	<b>178</b>	-
Interest payable	<i>4</i>	<b>(139)</b>	(654)
		<hr/>	<hr/>
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>1,366</b>	(3,591)
Taxation on profit/(loss) on ordinary activities	<i>5</i>	<b>(539)</b>	968
		<hr/>	<hr/>
<b>Profit/(Loss) for the financial year</b>	<i>14</i>	<b>827</b>	(2,623)
		<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 2009

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	7	8,491	9,983
<b>Current assets</b>			
Stocks	8	2,562	3,253
Debtors	9	4,583	7,922
Cash at bank and in hand		37	278
		<u>7,182</u>	<u>11,453</u>
<b>Creditors amounts falling due within one year</b>	10	<b>(7,561)</b>	<b>(12,334)</b>
		<u>(379)</u>	<u>(881)</u>
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		<b>8,112</b>	<b>9,102</b>
<b>Creditors amounts falling due after more than one year</b>	11	<b>(1,000)</b>	<b>(3,000)</b>
<b>Provisions for liabilities and charges</b>	12	<b>(183)</b>	<b>-</b>
		<u>6,929</u>	<u>6,102</u>
<b>Net assets including pension liability</b>			
<b>Capital and reserves</b>			
Called up share capital	13	9,799	9,799
Capital Redemption Reserve	14	1,087	1,087
Profit and loss account	14	(3,957)	(4,784)
		<u>6,929</u>	<u>6,102</u>
<b>Shareholders' funds</b>			

These financial statements were approved by the board of directors on 7<sup>th</sup> July 2010 and were signed on its behalf by

AM Van Wallegghem  
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 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

#### *Goodwill*

The net assets of businesses acquired are incorporated in the financial statements at their fair values after making appropriate adjustments to reflect the alignment of accounting policies where the accounting policies of acquired businesses would otherwise be inconsistent with those of the Company. Goodwill on acquisition, being the excess of the fair value of consideration paid over the fair value of the net assets acquired, is capitalised in the balance sheet and amortised over its useful life, which is generally estimated to be 10 years. Goodwill balances are reviewed annually for impairment based on the net present value of expected future cash flows arising from the purchased trade and assets

#### *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*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

The Company is 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.

#### *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/(loss) is stated after charging/(crediting) the following amounts</i>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Operating lease rentals – plant and machinery	100	117
Goodwill amortisation	-	116
Depreciation on owned assets	1,574	1,600
Auditors' remuneration		
- audit services	22	25
- other services relating to taxation	-	11
Research and development expenditure	446	331
Pension contribution	-	1,385
	<u>          </u>	<u>          </u>

In addition to the company's normal pension contributions a one-off contribution was made to the pension scheme during the prior year of £1,385,000. This was as a result of the changes in the scheme described in note 16

**3 Other interest received and similar income**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Net exchange gains	178	-
	<u>          </u>	<u>          </u>

**4 Interest payable**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group undertaking	139	436
Foreign exchange losses	-	218
	<u>          </u>	<u>          </u>
	<u>139</u>	<u>654</u>

**Notes** *(continued)*

**5 Taxation on loss on ordinary activities**

	2009 £000	2008 £000
<i>UK Corporation tax:</i>		
UK Corporation tax (credit)/charge on profit/(loss) for the year	(200)	(724)
Group relief adjustment in respect of prior years	432	(8)
	232	(732)
Total current tax		
<i>UK deferred tax.</i>		
Origination and reversal of timing differences	307	(236)
	307	(236)
Total deferred tax (note 12)		
	539	(968)
Tax charge/(credit) on profit/(loss) on ordinary activities		

Tax credit in 2008 represented amounts receivable from the company's parent Tessenderlo Holdings UK Limited in respect of 2008 tax losses surrendered within the group in the United Kingdom at the applicable tax rate of 28.5%

The tax assessed for the period is lower (*2008 lower*) than the standard rate of corporation tax in the UK of 28% (*2008 28.5%*). The differences are explained below

	2009 £000	2008 £000
Profit/(loss) on ordinary activities before tax	1,366	(3,591)
	382	(1,023)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	47	81
Depreciation in excess of capital allowances	(510)	(22)
Group relief adjustment in respect of prior periods	432	(8)
Other timing differences	(119)	240
	232	(732)
Total current tax		

**Notes** *(continued)*

**6 Directors and employee information**

	2009 £000	2008 £000
<i>Staff costs</i>		
Wages and salaries	2,586	2,670
Social security costs	218	254
Other pension costs (note 16)	310	1,697
	<u>3,114</u>	<u>4,621</u>

In 2008 other pension costs included a one-off contribution to the pension scheme of £1,385,000 (see note 2)

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

	2009 Number	2008 Number
<i>By activity</i>		
Production	58	58
Selling and distribution	13	12
Administration	9	11
	<u>80</u>	<u>81</u>

Directors' emoluments in the year amounted to £nil (2008 £nil) No directors are members of the company's defined benefit pension scheme (2008 nil) Included in directors' emoluments is an amount of £nil (2008 £nil) relating to compensation for loss of office

The emoluments of the highest paid director were £nil (2008 £nil) and company contribution of £nil (2008 £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	17,528	2,308	1,011	22,031
Reclassifications	-	1,234	(141)	(1,093)	-
Additions	-	-	-	82	82
<b>At end of year</b>	<b>1,184</b>	<b>18,762</b>	<b>2,167</b>	<b>-</b>	<b>22,113</b>
<i>Depreciation</i>					
At beginning of year	169	9,721	2,158	-	12,048
Charge for the year	6	1,568	-	-	1,574
<b>At end of year</b>	<b>175</b>	<b>11,289</b>	<b>2,158</b>	<b>-</b>	<b>13,622</b>
<i>Net book value</i>					
<b>At 31 December 2009</b>	<b>1,009</b>	<b>7,473</b>	<b>9</b>	<b>-</b>	<b>8,491</b>
At 31 December 2008	1,015	7,807	150	1,011	9,983

Included within freehold land and buildings is land amounting to £500,000 (2008 £500,000) which is not depreciated

**8 Stocks**

	2009 £000	2008 £000
Raw materials and consumables	1,014	1,016
Work in progress	140	283
Finished goods and goods for resale	1,408	1,954
<b>At end of year</b>	<b>2,562</b>	<b>3,253</b>

**9 Debtors**

	2009 £000	2008 £000
Trade debtors	4,005	6,387
Amounts owed by group undertakings	341	168
Prepayments and accrued income	53	98
Other taxation and social security	69	138
Deferred tax asset	-	124
Corporation tax recoverable	115	1,007
	<b>4,583</b>	<b>7,922</b>

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% (2008 28.5%)



**Notes** *(continued)*

**10 Creditors: amounts falling due within one year**

	2009 £000	2008 £000
Trade creditors	5,492	4,266
Amounts owed to group undertakings	1,447	7,688
Other taxation and social security	270	186
Other creditors and accruals	352	194
	7,561	12,334

**11 Creditors: amounts falling due after more than one year**

	2009 £000	2008 £000
Amounts owed to group undertakings	1,000	3,000
	1,000	3,000

*Analysis of debt*

	2009 £000	2008 £000
Debt can be analysed as falling due		
In one year or less, or on demand	1,000	7,252
Between one and two years	1,000	1,000
Between two and five years	-	2,000
In five years or more	-	-
	2,000	10,252

**12 Provisions for liabilities**

	<b>Deferred tax £000</b>
At the beginning of year	(124)
Utilised during the year	-
Charge to the profit and loss for the year	307
	183

**Notes (continued)**

**12 Provision for liabilities (continued)**

The elements of deferred taxation are as follows

	2009		2008	
	Potential £000	Actual £000	Potential £000	Actual £000
Accelerated capital allowances	544	544	167	167
Short term timing differences	(172)	(172)	(290)	(290)
Trade losses	(189)	(189)	-	-
	183	183	(123)	(123)
	183	183	(123)	(123)

**13 Called up share capital**

	2009 £000	2008 £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
	150,130	150,130
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	9,799	9,799
	9,799	9,799

**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 2009	9,799	1,087	(4,784)	6,102
Profit for the year	-	-	827	827
	9,799	1,087	(3,957)	6,929
	9,799	1,087	(3,957)	6,929

**Notes** *(continued)*

**15 Operating leases – plant and machinery**

	2009 £000	2008 £000
Annual commitments payable under non-cancellable operating leases expiring		
Within one year	1	1
Between two and five years	65	161
	66	162
	66	162

**16 Pension arrangements**

The Company operates a pension scheme providing benefits based on final pensionable pay. On 31 December 2007, members were transferred into the scheme from three other group companies. The participating employers in the scheme following the transfer are Tessenderlo Fine Chemicals Limited and PB Gelatins Limited. Because the Company is 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 2009, the scheme had a total gross surplus of £5,244,402 (2008 £3,421,000)

The latest full actuarial valuation was carried out at 1 January 2007 and was updated for FRS 17 purposes to 31 December 2009 and 31 December 2008 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 £310,000 (2008 £1,697,000). The contribution in the prior year included a one-off payment of £1,385,000 following the transfer into the scheme of other group companies. It has been agreed that the employer contribution rate will be 5.0% 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).

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

The immediate parent undertaking and controlling party is 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.