

**Epichem Group Limited**

Directors' report and consolidated  
financial statements

Registered number 2332327

31 December 2002



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### Principal activities

The principal activity of the group consists of the production and merchanting of high quality speciality gases and chemicals.

### Business Review

After providing for taxation and paying dividends, £691,659 was retained. On 2 January 2003 the business of Inorgtech Limited, a wholly owned subsidiary of Epichem Limited, was hived up to become a division of Epichem Limited. From that date Inorgtech has not traded.

### Dividends

An interim dividend of £120,000 was paid in June and a final dividend of £30,000 in December 2002.

### Research and development

The group continues to invest in research and development in order to maintain its lead in world markets.

### Directors and directors' interests

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

AB Leese  
G Williams  
L Birt

The directors who held office at the end of the financial year had the following interests in the share capital of the company, as recorded in the register of directors' share interests:

	Class of share	Interest at beginning of the year Number of shares	Purchased in the year	Subscribed for in the year	Interest at the end of year Number of shares
AB Leese	Ordinary 1p shares	9,230	5		9,235
G Williams	Ordinary 1p shares	9,230	4		9,234
L Birt	Ordinary 1p shares	140		314	454

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

### **Auditors**

A resolution is to be proposed at the annual general meeting for the appointment of KPMG LLP as auditors of the company.

### **Subsidiary**

During 2001 a company was formed in Taiwan, named Epichem Asia Co. Limited. Epichem Asia commenced trading in October 2001. Therefore, the year to December 2002 is it's first full year of trading.

### **Share capital**

At the beginning of the year Epichem Limited was a subsidiary of Epichem Group Limited, who held 89.97% of it's issued share capital. The remaining 10.03% were held by individuals who were all employees of the group. On 16 January 2002 these individuals all exchanged their holding for shares in Epichem Group Limited giving them an equivalent percentage holding in the latter company to the one they had held in Epichem Limited. Consequently, from that date Epichem Limited became a wholly owned subsidiary of Epichem Group Limited.

On 10 May 2002 various employees subscribed for and were allotted 744 shares in Epichem Group Limited.

By order of the board



*L Birt*  
Secretary

Power Road  
Bromborough  
WIRRAL  
Merseyside  
CH62 3QF

## 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 of the group as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the directors consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed, subject to any material departures disclosed and explained in the notes to the financial statements.

The directors are required to use a going concern basis unless it is inappropriate to presume that the company and of the group will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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 company and the group and to prevent and detect fraud and other irregularities.



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Liverpool  
L3 1QH

## Independent auditors' report to the members of Epichem Group Limited

We have audited the financial statements on pages 5 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

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 company is not disclosed.

### Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group's affairs as at 31 December 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.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

1 May 2003

Registered Auditor

**Consolidated profit and loss account**  
*for the year ended 31 December 2002*

	Note	2002 £	2001 £
<b>Turnover</b>	2	<b>18,312,888</b>	23,250,654
Cost of sales		(10,032,729)	(12,470,407)
<b>Gross profit</b>		<b>8,280,159</b>	10,780,247
Administrative expenses		(6,974,153)	(7,610,226)
<b>Operating profit</b>		<b>1,306,006</b>	3,170,021
Other interest receivable and similar income		38,992	72,222
Interest payable and similar charges	6	(214,622)	(183,734)
<b>Profit on ordinary activities before taxation</b>	3-5	<b>1,130,376</b>	3,058,509
Tax on profit on ordinary activities	7	(288,717)	(1,345,893)
<b>Profit on ordinary activities after taxation</b>		<b>841,659</b>	1,712,616
Minority interests		-	(185,684)
<b>Profit before dividends</b>		<b>841,659</b>	1,526,932
Dividends	8	(150,000)	(328,795)
<b>Retained profit for the year</b>	20	<b>691,659</b>	1,198,137

All turnover and operating profits are derived from continuing operations.

**Consolidated balance sheet**  
*at 31 December 2002*

	Note	£	2002 £	£	2001 £
<b>Fixed assets</b>					
Intangible assets	9		-		196,827
Tangible assets	10		8,806,196		9,131,503
Investments	11		1,800		1,800
			<hr/>		<hr/>
			8,807,996		9,330,130
<b>Current assets</b>					
Inventory	12	3,664,233		3,853,178	
Debtors	13	3,727,466		3,317,284	
Cash at bank and in hand		1,586,105		2,598,020	
			<hr/>	<hr/>	
			8,977,804	9,768,482	
<b>Creditors:</b> amounts falling due within one year	14	(3,959,011)		(4,713,069)	
			<hr/>	<hr/>	
<b>Net current assets</b>			5,018,793		5,055,413
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			13,826,789		14,385,543
<b>Creditors:</b> amounts falling due after more than one year	15		(3,415,145)		(4,440,281)
<b>Provisions for liabilities and charges</b>	16		(114,607)		(94,576)
<b>Deferred income</b>	17		(5,180)		(4,314)
			<hr/>		<hr/>
<b>Net assets</b>			10,291,857		9,846,372
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	19		214		186
Profit and loss account	20		8,530,987		7,896,599
Share premium account			3,712		-
Capital reserve	20		1,756,944		961,996
			<hr/>		<hr/>
<b>Shareholders' funds</b>			10,291,857		8,858,781
Minority interests			-		987,591
			<hr/>		<hr/>
			10,291,857		9,846,372
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 30 April 2003 and were signed on its behalf by:

*AB Leese*

AB Leese  
Director

**Company balance sheet**  
*at 31 December 2002*

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Investments	11	100,365	100,345
<b>Current assets</b>			
Debtors	13	-	-
Cash at bank and in hand		4,679	2
		<u>4,679</u>	<u>2</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(100,380)</u>	<u>(100,145)</u>
<b>Net current liabilities</b>		(95,701)	(100,143)
<b>Net assets</b>		<u>4,664</u>	<u>202</u>
<b>Capital and reserves</b>			
Called up share capital	19	214	186
Share premium account		3,712	-
Profit and loss account	20	738	16
<b>Shareholders' funds</b>		<u>4,664</u>	<u>202</u>

These financial statements were approved by the board of directors on 30 April 2003, and were signed on its behalf by:

*AB Leese*

*AB Leese*  
Director

**Consolidated cash flow statement**  
*for the year ended 31 December 2002*

	Note	2002 £	2001 £
<b>Net cash inflow from operating activities</b>	26	2,151,434	4,377,517
<b>Returns on investments and servicing of finance:</b>			
Interest received		38,992	72,222
Interest paid		(160,118)	(143,044)
Interest element of hire purchase rental payments		(54,504)	(40,690)
		<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>		(175,630)	(111,512)
<b>Taxation</b>			
UK Corporation tax paid		(484,859)	(795,216)
Overseas tax paid		(472,494)	(774,134)
		<hr/>	<hr/>
<b>Tax paid</b>		(957,353)	(1,569,350)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,201,435)	(4,394,844)
Receipts from sales of tangible fixed assets		242,047	28,300
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>		(959,388)	(4,366,544)
Equity dividends paid		(150,000)	(365,446)
		<hr/>	<hr/>
<b>Net cash outflow before financing</b>		(90,937)	(2,035,335)
<b>Financing:</b>			
New loan		-	3,563,522
Repayment of loans		(549,949)	(410,878)
Capital element of hire purchase rental payments		(364,926)	(367,187)
Proceeds from issue of share capital		3,720	-
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow from financing</b>		(911,155)	2,785,457
<b>(Decrease)/increase in cash in the period</b>	27	<hr/> <hr/> (1,002,092)	<hr/> <hr/> 750,122

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 December 2002*

	2002 £	2001 £
(Increase)/decrease in cash in the period	(1,002,092)	750,122
Cash outflow/(inflow) from movement in debt and lease financing	914,874	(2,485,458)
New finance leases	-	(709,234)
Exchange gain on loan	264,277	-
	<hr/>	<hr/>
Movement in net debt in the period	177,059	(2,744,570)
Net debt at the start of the period	(2,745,212)	(642)
	<hr/>	<hr/>
Net debt at the end of the period	(2,568,153)	(2,745,212)
	<hr/>	<hr/>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 December 2002*

	2002 £	2001 £
Profit for the financial year	841,659	1,526,932
Exchange (losses)/gains	(249,914)	138,704
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	591,745	1,665,636
	<hr/>	<hr/>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2002*

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Profit for the financial year	841,659	1,526,932	150,722	328,995
Dividends	(150,000)	(328,795)	(150,000)	(328,795)
	<hr/>	<hr/>	<hr/>	<hr/>
	691,659	1,198,137	722	200
Issues of shares	798,688	-	3,740	-
Elimination of minority interest	192,643	-	-	-
Exchange (losses)/gains	(249,914)	138,704	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	1,433,076	1,336,841	4,462	200
Opening shareholders' funds	8,858,781	7,521,940	202	2
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	10,291,857	8,858,781	4,664	202
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax" during the period.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002.

The acquisition method of accounting has been adopted. 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.

In the company's financial statements, investments in 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.

#### ***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	-	40 years (2½% per annum)
Plant and machinery	-	5 to 10 years (10% - 20% per annum)
Fixtures and fittings	-	3 to 7 years (14% to 33% per annum)

Depreciation is provided on motor vehicles at 25% per annum on the reducing balance.

#### ***Foreign currencies***

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

The assets and liabilities and profit and loss account of the US subsidiary are translated at the closing exchange rate. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

## Notes (continued)

### Accounting policies (continued)

#### *Government grants*

Capital based government grants are credited to deferred income in the balance sheet, from where they are released into the profit and loss account in equal instalments over the estimated useful economic lives of the assets to which they relate.

Revenue grants are credited to profit and loss account in the year in which they arise.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Pension costs*

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

#### *Research and development expenditure*

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

#### *Inventory*

Inventory is stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Taxation*

The charge for taxation is based on the 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. 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.

#### *Turnover*

Turnover represents the amounts (excluding value added tax and sales tax) derived from the provision of goods and services to customers during the year. Turnover is recognised upon the issue of the invoice.

## Notes (continued)

### 2 Analysis of turnover by geographical market

The analysis of turnover as required by SSAP 25 has been omitted on the grounds that the directors believe that disclosure would be seriously prejudicial to the commercial interests of the group.

### 3 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	42,282	40,790
Other services	84,731	70,110
Depreciation and other amounts written off tangible fixed assets		
Owned	784,771	783,864
Leased	203,054	186,038
Amortisation of goodwill	196,827	200,000
Hire of equipment		
Hire of plant and machinery – rentals payable under operating leases	35,643	39,424
Hire of other assets – operating leases	27,075	27,075
Research and development	544,084	532,834
Exchange losses	254,167	-
	<hr/>	<hr/>
<i>after crediting</i>		
Exchange gains	-	479
Government grants	145,824	124,142
	<hr/>	<hr/>

## Notes (continued)

### 4 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
Office and Management UK	52	59
Office and Management USA	24	20
Office and management Taiwan	1	1
Production UK	58	54
Production USA	11	12
	<hr/>	<hr/>
	146	146
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	4,309,019	4,772,124
Social security costs	393,503	430,076
Other pension costs (see note 25)	193,181	223,002
	<hr/>	<hr/>
	4,895,703	5,425,202
	<hr/>	<hr/>

### 5 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	396,787	501,330
Company contributions to money purchase pension schemes	69,392	60,432
	<hr/>	<hr/>
	466,179	561,762
	<hr/>	<hr/>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £167,375 (2001: £212,082), and company pension contributions of £25,366 (2001: £21,531) 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	3	3
	<hr/>	<hr/>

No director exercised share options during the year.

## Notes (continued)

### 6 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts	150,778	142,115
On all other loans	9,310	648
Finance charges payable in respect of finance leases and hire purchase contracts	54,534	40,971
	<u>214,622</u>	<u>183,734</u>

### 7 Taxation

#### Analysis of charge in period

	2002 £	2001 £
<i>Corporation tax</i>		
Current tax on income for the period	294,276	1,438,897
Adjustments in respect of prior periods	(11,128)	(28,797)
	<u>283,148</u>	<u>1,410,000</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	5,569	(64,207)
Tax on profit on ordinary activities	<u>288,717</u>	<u>1,345,893</u>

#### Factors affecting the tax charge for the current period

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

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,130,376	3,058,509
Current tax at 30% (2001 :30%)	<u>339,113</u>	<u>917,553</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(12,806)	121,672
Capital allowances for period in excess of depreciation	-	76,112
Expenses in excess of that deductible for tax purposes (Research & Development)	(57,000)	(36,000)
Overseas tax rates	81,193	125,215
Elimination of intercompany profits	(35,635)	221,916
Depreciation in excess of capital allowances	(19,753)	-
Other	(836)	12,429
Total current tax charge (see above)	<u>294,276</u>	<u>1,438,897</u>

## Notes (continued)

### 8 Dividends

	2002	2001
	£	£
Equity shares:		
Interim dividend paid	120,000	276,880
Final dividend proposed	30,000	51,915
	<hr/>	<hr/>
	150,000	328,795
	<hr/> <hr/>	<hr/> <hr/>

### 9 Intangible fixed assets

	Goodwill
	£
Group	
<i>Cost</i>	
At 31 December 2001	596,827
	<hr/>
At 31 December 2002	596,827
	<hr/> <hr/>
<i>Amortisation</i>	
At 31 December 2001	400,000
Provided during the year	196,827
	<hr/>
At 31 December 2002	596,827
	<hr/> <hr/>
<i>Net book value</i>	
At 31 December 2002	-
	<hr/> <hr/>
<i>Net book value</i>	
At 31 December 2001	196,827
	<hr/> <hr/>

The goodwill acquired represents the excess of the purchase price of Inorgtech Limited over the fair value of the net assets of the company at the time of acquisition and has been amortised over 3 years.

**Notes (continued)**

10 Tangible fixed assets Group	Land and buildings	Plant and machinery	Fixtures fittings and Equipment	Motor vehicles	Total
	£	£	£	£	£
<i><b>Cost</b></i>					
At beginning of year	5,526,769	6,015,284	1,265,605	513,861	13,321,519
Exchange differences	(243,617)	(80,012)	(34,506)	-	(358,135)
Additions	366,215	771,567	65,653	-	1,201,435
Disposals	(187,726)	(50,942)	(67,994)	(386,352)	(693,014)
<b>At end of year</b>	<b>5,461,641</b>	<b>6,655,897</b>	<b>1,226,758</b>	<b>127,509</b>	<b>13,471,805</b>
<i><b>Depreciation</b></i>					
At beginning of year	476,918	2,753,155	758,787	201,156	4,190,016
Exchange differences	(18,681)	(30,487)	(20,751)	-	(69,919)
Charge for year	127,300	626,205	176,706	56,764	986,975
On disposals	(187,726)	(50,943)	(19,632)	(183,163)	(441,463)
<b>At end of year</b>	<b>397,811</b>	<b>3,297,930</b>	<b>895,110</b>	<b>74,758</b>	<b>4,665,609</b>
<i><b>Net book value</b></i>					
<b>At 31 December 2002</b>	<b>5,063,830</b>	<b>3,357,967</b>	<b>331,648</b>	<b>52,751</b>	<b>8,806,196</b>
At 31 December 2001	5,049,851	3,262,129	506,818	312,705	9,131,503

Included in the total net book value of motor vehicles for the group is £16,557 (2001: £276,243) in respect of assets held under finance leases or hire purchase contracts. Depreciation for the year on these assets was £5,508 (2001: £84,624). Included in the total net book value of plant and machinery for the group is £1,147,554 (2001: £1,299,025) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £151,471 (2001: £78,878). Included in the total net book value of fixtures, fittings and equipment for the group is £216,069 (2001: £281,162) in respect of assets held under finance leases or hire purchase contracts. Depreciation on these assets was £46,075 (2001: £22,536).

The cost and net book value of freehold land and buildings includes land of £758,336 (2001: land and buildings £2,881,679) which is not depreciated.

## Notes (continued)

### 11 Fixed assets investment

Group	Investments other than loans £	
At 1 January 2002	1,800	
Additions	-	
	<hr/>	
At 31 December 2002	1,800	
	<hr/>	
Company	Shares in group undertakings £	Total £
At 1 January 2002	100,345	100,345
Additions	20	20
	<hr/>	<hr/>
At 31 December 2002	100,365	100,365
	<hr/>	<hr/>

The company owns 100% of the share capital of Epichem Limited, incorporated in England and Wales, who in turn own 100% of the share capital of Epichem Incorporated, registered in the United States of America, and Inorgtech Limited, incorporated in England and Wales. The principal activity of all these companies is the production and merchandising of high quality speciality gases and chemicals. The shares held in Epichem Limited were gifted to Epichem Group Limited on 10 February 1989 at no cost. Subsequent to the year end Inorgtech has transferred its trade and assets to Epichem Limited and is now dormant.

During the year the company acquired the remaining 10.03% of Epichem Limited to take the percentage holding to 100%. This was effected through issuing share capital with a nominal value of £20.

During 2001 a company, Epichem Asia Co., Limited, was formed and registered in Taiwan. Of the 500,000 shares issued, all but 60 are in the name of Epichem Group Limited. To comply with Taiwanese law, the 60 shares referred to are held, 10 each, by Messrs G Williams, L Birt, R M Patel, B P Williams, W Lin and J Lin as nominees on behalf of Epichem Group Limited. Epichem Asia commenced trading in October 2001 and its principal activity is the merchandising of high quality speciality gases and chemicals. Therefore, 2002 is the first full year of trading.

### 12 Inventory

	Group		Company
	2002 £	2001 £	2002 £
Raw materials and consumables	1,274,257	1,552,002	-
Work in progress	1,190,097	904,222	-
Finished goods and goods for resale	1,199,879	1,396,954	-
	<hr/>	<hr/>	<hr/>
	<b>3,664,233</b>	<b>3,853,178</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 13 Debtors

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	3,015,666	2,718,936	-	-
Other debtors	364,998	374,893	-	-
Prepayments and accrued income	234,460	223,455	-	-
Corporation tax	117,362	-	-	-
	<u>3,727,466</u>	<u>3,317,284</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts (see note 15)	516,875	577,057	-	-
Obligations under finance leases and hire purchase contracts (see note 15)	222,238	325,894	-	-
Trade creditors	1,392,569	1,264,275	-	-
Amount owed to subsidiary undertaking	-	-	100,380	100,145
Other creditors including taxation and social security:				
Corporation Tax	-	554,570	-	-
Other taxes and social security	102,408	113,161	-	-
Other creditors	487,948	1,488,745	-	-
Accruals and deferred income	1,236,973	389,367	-	-
	<u>3,959,011</u>	<u>4,713,069</u>	<u>100,380</u>	<u>100,145</u>

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

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans	3,167,145	3,931,012	-	-
Obligations under finance leases and hire purchase contracts	248,000	509,269	-	-
	<u>3,415,145</u>	<u>4,440,281</u>	<u>-</u>	<u>-</u>

## Notes (continued)

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

Group	2002 £	2001 £
Debts (loans and overdrafts) can be analysed as falling due:		
in one year or less or on demand	516,875	577,057
between one and two years	556,250	517,241
between two and five years	1,001,520	1,318,082
in five years or more	1,609,375	2,095,689
	<u>3,684,020</u>	<u>4,508,069</u>

#### Amounts repayable by instalments:

	Instalment payable within five years		Instalment payable after five years		Total	
	2002 £	2001 £	2002 £	2001 £	2002 £	2001 £
Bank loans	<u>2,074,645</u>	<u>2,412,380</u>	<u>1,609,375</u>	<u>2,095,689</u>	<u>3,684,020</u>	<u>4,508,069</u>

Included in bank loans are a mortgage loan of £875,000 and a Treasury loan of £496,520 which are liabilities of Epichem Limited. The mortgage loan is secured by a charge on that company's buildings and is repayable over 10 years. The Treasury loan is secured by a charge on the property at Power Road, Bromborough and by a debenture representing a floating charge over the remaining assets of that company and is repayable over 5 years.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

Group	2002 £	2001 £
Within one year	252,521	373,499
In the second to fifth years	290,774	598,608
	<u>543,295</u>	<u>972,107</u>
Less: future finance charges	<u>(73,057)</u>	<u>(136,944)</u>
	<u>470,238</u>	<u>835,163</u>

The amounts due under finance leases and hire purchase contracts are secured on the assets concerned.

During 2001 the Massachusetts Development Finance Agency issued \$4,000,000 aggregate principal amount of Massachusetts Development Finance Agency variable rate/fixed rate revenue bonds – project series 2001 for the benefit of Epichem Inc. The proceeds of the bonds will be used to finance a project consisting of the acquisition of approximately 5.1 acres of land, the construction thereon of a manufacturing facility, the acquisition and installation of certain machinery and equipment in the manufacturing facility and the payment of a proportion of the costs and expenses incidental to the issuance of the bonds. The bonds were issued pursuant to a trust indenture dated 1 February 2001 between the Agency and a financial institution, as Trustees.

The Agency lent the proceeds of the bonds to Epichem Inc pursuant to a loan agreement dated 1 February 2001 between the Agency and Epichem Inc.

## Notes (continued)

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

The interest rate on the bonds was 3.62% at 31 December 2002. The bonds are repayable in varying instalments from \$185,000 to \$365,000 over a 15 year period ended 1 April 2016. The bonds require the establishment of a sinking fund for debt service. Included in Cash in Hand and at Bank at 31 December 2002 is \$188,940 (£118,088) relative to this sinking fund.

### 16 Provisions for liabilities and charges

Group	Deferred taxation	
	2002 £	2001 £
At beginning of year	94,576	161,657
Charge/(credit) for year	5,569	(64,207)
Exchange loss/(gain)	14,462	(2,874)
At end of year	114,607	94,576

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2002		2001	
	Provided	Not provided	Provided	Not provided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	492,263	-	363,280	-
Other timing differences	(377,656)	-	(268,704)	-
	114,607	-	94,576	-

No deferred taxation provision is held at company level.

### 17 Deferred income

#### Group

This amount represents capital based government grants received which will be released into the profit and loss account over the estimated useful economic lives of the assets to which the grants relate.

	£
At beginning of year	4,314
Release to profit and loss account	(4,314)
Received during the year	5,180
At end of year	5,180

There is no deferred income at company level.

## Notes (continued)

### 18 Acquisition

During the year the company acquired the remaining 10.03% of the Epichem Limited shares by way of a share for share transfer. It is considered that any differences between book values and fair values are immaterial.

	Fair value and book value of Epichem Limited £
Tangible fixed assets	5,804,169
Investments	1,793,491
Cash	649,467
Debtors	2,922,862
Inventory	1,738,960
Creditors	(4,671,729)
Provisions for liabilities and charges – deferred tax	(307,000)
Deferred income	(4,314)
Net assets	7,925,906
Percentage acquired	10.03%
Net assets acquired	794,968
Consideration – Fair value of shares issued	794,968

### 19 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Ordinary shares of 1p each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 1p each	214	186

At the 2001 year end Epichem Limited was a subsidiary of Epichem Group Limited, who held 89.97% of its issued share capital. The remaining 10.03% were held by individuals who were all employees of the group. On 16 January 2002 these individuals all exchanged their holding for shares in Epichem Group Limited giving them an equivalent percentage holding in the latter company to the one they had held in Epichem Limited (2,074 Ordinary shares were issued). Consequently, from that date Epichem Limited became a wholly owned subsidiary of Epichem Group Limited.

On 10 May 2002 various employees subscribed for and were allotted 744 shares in Epichem Group Limited at £5 each giving rise to a premium on issue of £3,712 which has been credited to the share premium account.

## Notes (continued)

### 20 Share premium and reserves

Group	Share premium account £	Capital reserve £	Profit and loss account £
At beginning of year	-	961,996	7,896,599
Exchange gains	-	-	(249,914)
Retained profit for the year	-	-	691,659
Elimination of minority interest	-	-	192,643
Premium arising on share issue	3,712	-	-
Arising on share for share exchange	-	794,948	-
	<hr/>	<hr/>	<hr/>
At end of year	3,712	1,756,944	8,530,987
	<hr/>	<hr/>	<hr/>
Company	Share premium account £	Capital reserve £	Profit and loss account £
At beginning of year	-	-	16
Retained profit for the year	-	-	722
Premium arising on share issue	3,712	-	-
	<hr/>	<hr/>	<hr/>
At end of year	3,712	-	738
	<hr/>	<hr/>	<hr/>

### 21 Contingent liabilities

In order to facilitate the issuance and sale of the bonds in 2001, Epichem Inc has requested a bank to issue an irrevocable letter of credit to the Trustee for the account of the Company authorising the Trustee to make draws on the Bank up to an aggregate amount of \$4,075,616 (£2,547,260). This is comprised of a principal amount not to exceed \$4,000,000 (£2,500,000) and an amount not to exceed \$75,616 (£47,260) which represents 46 days of interest.

Cash at bank and in hand included an amount of \$462,127 (£288,829) representing unexpended proceeds from the bonds taken out by Epichem Inc, which may only be expended for appropriate additions to property, plant and equipment. There is also an amount of \$65,834 (£41,146) which is restricted. Epichem Inc is required to maintain this for as long as the bonds are outstanding in decreasing amounts by agreement with the bank issuing the letter of credit.

The bond trust indenture and the Agreement contain various covenants that, among other things, limit certain corporate acts of Epichem Inc, such as mergers and acquisitions; require the company to maintain a minimum ratio of debt coverage; the company cannot exceed a maximum ratio of leverage; and places limitations on the company's ability to incur additional debt or grant security interests in its assets. Epichem Inc was in compliance with these covenants or had obtained waivers as of 31 December 2002.

## Notes (continued)

### 22 Litigation

Epichem Limited encountered a dispute with a supplier during 2001. Since the year end the parties to the litigation have entered into a mediated settlement of £140,000 and this has been paid over to the supplier. A provision for this sum, together with legal costs incurred since the year end of £15,000, is contained in the balance sheet at 31 December 2002. Legal expenses incurred during 2002 have been written of in the consolidated profit and loss account.

### 23 Commitments

Capital commitments at the end of the financial year for which no provision has been made amounted to £nil (2001: £40,000).

### 24 Other financial commitments

At the year end the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £000	2002 Other £000	Land and buildings £000	2001 Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	27,075	-	27,075	-
Over five years	-	7,227	-	7,227
	<u>27,075</u>	<u>7,227</u>	<u>27,075</u>	<u>7,227</u>

### 25 Pension scheme

The group operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the group to these funds and amounted to £193,181 (2001: £223,002). There were no prepaid or overdue contributions at either the beginning or end of the financial year.

### 26 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	1,306,066	3,170,021
Depreciation charges	986,975	969,900
Release of deferred income	(4,314)	(4,368)
Loss on sale of tangible fixed assets	9,505	63,618
Decrease in stocks	(90,055)	(550,535)
(Increase)/decrease in debtors	(447,061)	1,153,897
Increase/(decrease) in creditors	193,491	(625,016)
Goodwill written off	196,827	200,000
<b>Net cash inflow from operating activities</b>	<u><b>2,151,434</b></u>	<u><b>4,377,517</b></u>

## Notes (continued)

### 27 Analysis of net debt

	At beginning of year £	Cash flow £	Exchange movement £	At end of year £
Cash at bank and in hand	2,598,020	(1,011,915)	-	1,586,105
Overdrafts	(9,823)	9,823	-	-
	<u>2,588,197</u>	<u>(1,002,092)</u>	<u>-</u>	<u>1,586,105</u>
Debt due after one year	(3,931,012)	499,590	264,277	(3,167,145)
Debt due within one year	(567,234)	50,359	-	(516,875)
Finance leases and hire purchase contracts	(835,163)	364,925	-	(470,238)
	<u>(5,333,409)</u>	<u>914,874</u>	<u>264,277</u>	<u>(4,154,258)</u>
<b>Total</b>	<b>(2,745,212)</b>	<b>(87,218)</b>	<b>264,277</b>	<b>(2,568,153)</b>

### 28 Related party transactions

AB Leese, who is a director of the company, is also a director of Optogas Limited. During the year the group made charges to Optogas amounting to £44,932 (2001: £31,678) and received charges from Optogas amounting to £8,679 (2001: £36,799).

AB Leese and G Williams, who are both directors of the company, are also directors of Epichem Chemicals Limited. During the year the group made management charges to Epichem Chemicals Limited amounting to £nil (2001: £2,000).

## Epichem Limited and it's subsidiaries

### Five Year Record

	1998	1999	2000	2001	2002
	£000	£000	£000	£000	£000
<i>For the year</i>					
Sales	13,053	15,524	23,404	23,251	18,313
Operating profit	2,762	2,890	5,046	3,170	1,306
<i>PBIT/sales</i>	21%	19%	22%	14%	7%
Interest	180	144	126	112	176
Profit before tax	2,582	2,746	4,920	3,059	1,130
<i>Profit/sales</i>	20%	18%	21%	13%	6%
Dividend	293	289	577	329	150
Taxation	864	810	1,784	1,346	288
Retained profit	1,425	1,647	2,559	1,198	692
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At year end</i>					
Fixed assets	3,364	3,628	5,460	9,330	8,808
Working capital	1,752	3,039	4,415	5,055	5,019
Capital employed	5,116	6,667	9,875	14,385	13,827
Shareholders' equity	3,949	5,638	8,360	9,846	10,292
Short-term and long-term debt	2,313	1,849	1,839	5,343	4,154
<i>Borrowing/equity</i>	59%	33%	22%	54%	40%
Capital spend	632	732	2,042	5,104	1,201
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Productivity</i>					
Employees	91	97	126	145	146
Sales per employee	143	160	186	159	125
Operating profit per employee	30	30	40	23	9
<i>Return on capital employed</i>	50%	41%	50%	22%	9%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>