

***COGNIS SPECIALITY ORGANICS FAR EAST  
LIMITED (Formerly Laporte Speciality Organics  
Far East Limited)***

**Directors' Report and Financial Statements**

**for the year ended 31 December 2003**

*Registered Number: 2723173*



## *Cognis Speciality Organics Far East Limited*

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# ***Cognis Speciality Organics Far East Limited***

## **Directors' report**

The Directors present their annual report, together with the audited financial statements of the Company for the year ended 31 December 2003.

## **Principal activities**

The Company provided sales and marketing facilities through a South Korean branch for other companies within the Cognis Group. However, on 1 December 2003, the directors took the decision to cease trading following a Group Reorganisation. As the directors intend to liquidate the branch and the company following settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

## **Business review**

The performance in the year was in line with expectations and it is anticipated to continue to be so.

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loss before taxation	<b>(35)</b>	<b>(87)</b>
Taxation charge	<b>-</b>	<b>(2)</b>
Loss for the year	<b>(35)</b>	<b>(89)</b>

## **Dividends**

The Directors have been unable to propose payment of a dividend in respect of either this or the preceding year.

## **Payments to suppliers**

The Company does not follow any code or standard on payment practice. Terms and conditions are agreed with suppliers. Payment is then made in accordance with the agreement, providing the supplier has met the terms and conditions.

## **Directors and their interests**

The following persons served as Directors of the Company during the year: -

J J Lakin (resigned 1 April 2003)  
D H Warner (resigned 1 April 2003)  
S H Song  
S L Catchpole (appointed 19 November 2003)

None of the Directors had any interest in the shares of the Company at any time during the year.

The ultimate parent Company (see note 11) is incorporated in Germany. Therefore, pursuant to section 3 of the Companies (Disclosure of Director's Interests) (Exceptions) regulations 1985, Directors' interests of the ultimate parent are not shown.

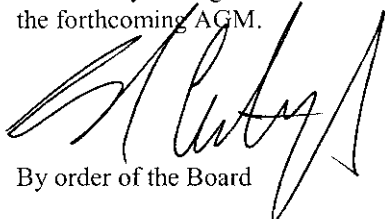
## ***Cognis Speciality Organics Far East Limited***

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

#### **Auditors**

KPMG Audit Plc resigned as auditors on 25 April 2005 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming AGM.

By order of the Board

A handwritten signature in black ink, appearing to be 'S. Chetty', written over the text 'By order of the Board'.

## ***Cognis Speciality Organics Far East Limited***

### **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 profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on this basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# ***Cognis Speciality Organics Far East Limited (formerly Laporte Speciality Organics Far East Limited.)***

## **Report of the independent auditors to the members of Cognis Specialty Organics Far East Limited.**

We have audited the financial statements on pages 5 to 13.

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 auditor's 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's affairs as at 31 December 2003 and of the loss 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**  
**Southampton**

*28 June 2005 .*

## ***Cognis Speciality Organics Far East Limited***

### **Profit and Loss Account**

*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003 £'000</b>	<b>2002 £'000</b>
Administrative expenses		<b>(179)</b>	(216)
Other operating income		<u><b>144</b></u>	<u>127</u>
<b>Operating loss</b>	<b>2</b>	<b>(35)</b>	(89)
Interest receivable		<u>-</u>	<u>2</u>
<b>Loss on ordinary activities before taxation</b>		<b>(35)</b>	(87)
Taxation charge on loss on ordinary activities	<b>4</b>	<u>-</u>	<u>(2)</u>
<b>Retained loss for the year</b>	<b>10</b>	<u><b>(35)</b></u>	<u>(89)</u>

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

# Cognis Speciality Organics Far East Limited

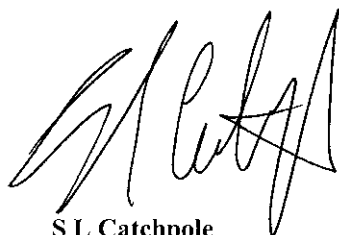
## Balance Sheet

at 31 December 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible assets	5		-		5
<b>Current Assets</b>					
Debtors falling due within one year	6	62		76	
Cash at bank and in hand		<u>33</u>		<u>35</u>	
		95		111	
<b>Creditors</b>					
Amounts falling due within one year	7	<u>(42)</u>		<u>(28)</u>	
<b>Total net current assets</b>			53		83
<b>Total assets less current liabilities</b>			<u>53</u>		<u>88</u>
<b>Capital and reserves</b>					
Called up share capital	8	500		500	
Profit and loss account	10	(447)		(412)	
<b>Equity shareholders' funds / (deficit)</b>			<u>53</u>		<u>88</u>

The financial statements on pages 5 to 13 were approved by the Board on  
signed on its behalf by:

3<sup>rd</sup> June 2005 and



S L Catchpole  
Director



## ***Cognis Speciality Organics Far East Limited***

### **Statement of total recognised gains and losses** *for the year ended 31 December 2003*

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(35)	(89)
Currency translation differences	-	2
<b>Total recognised gains and losses</b>	<b>(35)</b>	<b>(87)</b>

### **Reconciliation of movements in shareholders' funds** *for the year ended 31 December 2003*

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(35)	(89)
Currency translation differences	-	2
Issue of new shares	-	450
<b>Net addition to shareholders' funds</b>	<b>(35)</b>	<b>363</b>
Shareholders' funds/(deficit) at start of year	<b>88</b>	<b>(275)</b>
<b>Shareholders' funds at end of year</b>	<b>53</b>	<b>88</b>

# ***Cognis Speciality Organics Far East Limited***

## **Notes to the financial statements**

### **1. Principal accounting policies**

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

#### **Basis of accounting**

The Company's financial statements have been prepared under the historical cost convention in accordance with applicable UK Accounting Standards.

In previous years the financial statements have been prepared on a going concern basis. However, on 1 December 2003, the directors took the decision to cease trading following a Group reorganisation. As the directors intend to liquidate the branch and the company following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

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 Company includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Cognis GmbH, the Company has taken advantage of the exemption in FRS 8 and has not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Cognis GmbH, within which this company is included may be obtained from Charleston Road, Hythe, Southampton SO45 3ZG.

#### **Foreign currencies**

The Company maintains its accounting records in Korean Won. In preparing the Company's financial statements, monetary assets and liabilities are translated in to Sterling at the closing rate, non-monetary assets and liabilities at the rate ruling at the date of transaction and the profit and loss account is translated at the average rate.

#### **Deferred taxation**

Deferred taxation 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.

#### **Depreciation**

The original cost, less estimated residual values, of tangible fixed assets are depreciated on a straight line basis over their estimated useful economic lives as follows:-

- |                          |                            |
|--------------------------|----------------------------|
| • Fixtures & fittings    | - maximum of fifteen years |
| • Plant & machinery      | - maximum of fifteen years |
| • Leasehold Improvements | - maximum of four years    |

# ***Cognis Speciality Organics Far East Limited***

## **Notes to the financial statements (continued)**

### **2. Operating loss**

The operating loss is stated after charging / (crediting):

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loss/(gain) on disposal of fixed assets	<b>3</b>	<b>(1)</b>
Depreciation of fixed assets	<b>2</b>	<b>1</b>

The auditor's remuneration for 2003 has been borne by Cognis Performance Chemicals UK Limited, a fellow Group Company.

### **3. Directors and employees**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>87</b>	<b>148</b>
Social security costs	<b>2</b>	<b>2</b>
Pension costs	<b>2</b>	<b>2</b>
	<b>91</b>	<b>152</b>
<b>Average numbers employed</b>	<b>No.</b>	<b>No.</b>
Administration	<b>2</b>	<b>2</b>

Included within employee costs are Directors' emoluments costs represented by Wages and Salaries of £86,000 (2002: £48,000), Social Security Costs of £ 2,000 (2002: £1,000) and Pensions Costs of £1,000 (2002: £1,000). One Director is accruing benefits in the Company's defined contribution pension scheme.

# *Cognis Speciality Organics Far East Limited*

## Notes to the financial statements (continued)

### 4. Tax on loss on ordinary activities

	2003 £'000	2002 £'000
UK corporation tax charge / (credit) at 30% (2002 : 30%)	<u>-</u>	<u>2</u>

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

The current tax charge (2002: credit) for the period is lower than the standard rate of corporation tax in the UK (30%) (2002:30%). The differences are explained below.

	2003 £'000	2002 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(35)</u>	<u>(87)</u>
Expected current tax credit at 30% (2002:30%)	(11)	(26)
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily entertaining)	-	3
Income not taxable	-	(9)
Group relief not paid for	11	36
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>(2)</u>
Total current tax charge / (credit) (see above)	<u>-</u>	<u>2</u>

At 31 December 2003 there was no unprovided deferred taxation (2002 : Nil).

# *Cognis Speciality Organics Far East Limited*

## Notes to the financial statements (continued)

### 5. Tangible assets

	Fixtures & Fittings £'000
<i>Cost</i>	
At beginning of year	11
Additions	-
Disposals	(11)
	<hr/>
At end of year	<hr/> <hr/> -
<i>Depreciation</i>	
At beginning of year	6
Charge for year	2
Disposals	(8)
	<hr/>
At end of year	<hr/> <hr/> -
<i>Net book value</i>	
At end of year	<hr/> <hr/> -
At beginning of year	<hr/> <hr/> 5

### 6. Debtors : Amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed by group undertakings	7	60
Other debtors	<hr/> 55	<hr/> 16
	<hr/> <hr/> 62	<hr/> <hr/> 76

### 7. Creditors: Amounts falling due within one year

	2003 £'000	2002 £'000
Taxation and social security	-	1
Accruals and deferred income	<hr/> 42	<hr/> 27
	<hr/> <hr/> 42	<hr/> <hr/> 28

# *Cognis Speciality Organics Far East Limited*

## Notes to the financial statements (continued)

### 8. Called up share capital

	2003		2002	
	No. 000	£'000	No. 000	£'000
<b>Authorised</b>				
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>460</u>	<u>460</u>
<b>Issued and not fully paid</b>				
Ordinary shares of £1 each	<u>-</u>	<u>-</u>	<u>40</u>	<u>40</u>

### 9. Pensions

Pensions are provided to employees through the South Korean State Insured Defined Contribution Scheme in to which both the company and the employees contribute. The charge for the year is £2,000 (2002 : £2,000).

### 10. Reserves

	<b>Profit and Loss £'000</b>
Balance at start of year	(412)
Retained loss for the financial year	<u>(35)</u>
Balance at end of year	<u>(447)</u>

## ***Cognis Speciality Organics Far East Limited***

### **Notes to the financial statements (continued)**

#### **11. Immediate and ultimate holding Company**

On 1 April 2003, the Company was acquired by Cognis Holdings UK Limited and, accordingly, Cognis GmbH, incorporated in Germany, became the Company's ultimate parent company with effect from that date.

The consolidated financial statements of Cognis GmbH for the year-ended 31 December 2003 are available to the public and may be obtained from Charleston Road, Hythe, Southampton, SO45 3ZG.

#### **12. Restrictions on cash**

Certain restrictions exist over the free flow of cash out of South Korea, therefore the cash at year end cannot be easily repatriated to the UK.