

ACORDIS ACETATE CHEMICALS LIMITED
(REGISTERED NO: 217201)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999



ACORDIS ACETATE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The Directors present their report and the financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the processing of chemicals.

RESULTS AND DIVIDEND

The profit and loss account and balance sheet, together with appropriate notes, are set out on pages 6 to 21. No interim dividends have been paid (9 months ended 31 December 1998 - £Nil) on the Company's Ordinary Shares and the Directors do not propose a Final Dividend (9 months ended 31 December 1998 - £Nil).

REVIEW OF THE BUSINESS

During the year the Fine Chemicals, Cellulosic Polymers and Pharmaceutical Intermediates businesses were sold to other group companies and the Carbon-disulphide and Flame Retardants businesses were closed. The business and assets of Acordis Exports Limited, a subsidiary company, were transferred to the Company on 1 November 1999.

Turnover for the 12 months ended December 1999 was £121.7 million, down on last years annualised sales (1998 being a 9 month period), due to the business disposals and closures referred to above. Additionally the markets of Acetate Filament Yarn and Filter Tow continued to be weak.

Operating profit was impacted by the weakness of sterling. However this was offset by savings arising from cost reductions, including the benefits of restructuring activity commenced in the previous year. The Acetate business made further reorganisation provisions of £1.6 million, in relation to re-structuring. Average employee numbers fell by 448 to 1,193, the reduction comprising 396 as a result of disposals and the balance due to the reorganisation of the remaining businesses.

Business disposals included the Buckhaven pharmaceutical intermediates to Diosynth Limited, Leek fine chemicals to Acordis Fine Chemicals Limited, the cellulosic polymers business to Acordis Cellulosic Polymers Limited and the sale of the order books of the flame retardants and carbon disulphide businesses. Total consideration in respect of these disposals amounted to £43.6 million. In addition to this, deferred consideration of £1.3 million was received in relation to a disposal completed in the previous year.

On 31 December 1999, Acordis B.V. (the then intermediate holding company) ceased to be a 100% subsidiary of Akzo Nobel N.V. (the then ultimate parent company) following the sale of 64% of the shares to CVC Capital Partners and 15% to Acordis Management.

FUTURE PROSPECTS

Acetate results are expected to improve during 2000 with anticipated growth in the Film business and modest improvements in the Filter Tow market and flake for the Acetate Filament Yarn markets. In addition, cost reductions in 1999 will benefit 2000.

ACORDIS ACETATE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

RESEARCH AND DEVELOPMENT

The Company advanced its research and development activities during 1999 primarily in the areas of process and product development. The costs of these activities during the year amounted to £1,015,000 (9 months ended 31 December 1998 - £1,431,000).

DIRECTORS

The Directors who served during the year and up to the date of this report were as follows:

JA Bednall
PL Rogers

Mr DA Smith also served as a Director until 10 December 1999

DIRECTORS' INTERESTS

The Company has taken advantage of the exemptions permitted in the Companies Act and has not disclosed the Directors and their families beneficial interests in the share capital of Acordis B.V., the ultimate parent undertaking, and Akzo Nobel N.V., the former ultimate parent undertaking, both of which are registered in The Netherlands.

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 in all factories. The Company also provides information regarding the financial and economic factors affecting its performance in literature circulated periodically.

ACORDIS ACETATE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The United Kingdom Companies Act 1985 requires the Directors to prepare for each financial period financial statements which give a true and fair view of the state of affairs of the Company at the end of that year, and of the profit or loss for the period to that date. In preparing the financial statements, the Directors are also required:

- to select suitable accounting policies and apply them consistently, supported as appropriate by reasonable and prudent judgements and estimates;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 6 to 21.

The Directors also have responsibility for:

- keeping appropriate accounting records which disclose with reasonable accuracy the financial position of the Company at any time and to enable them to ensure that the financial statements comply with the requirements of the United Kingdom Companies Act 1985;
- 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.

MILLENNIUM COMPLIANCE

The Company's Year 2000 project was designed to ensure that its operations and relationships with customers and suppliers were not adversely affected by problems resulting from the inability of electronic systems to accommodate the date change to the Year 2000. The project was successfully completed in advance of the Millennium and all indications to date are that the work was successful. However, due to the general uncertainty inherent in the Year 2000 issue there may yet be problems that arise in the future which are not visible at present or have not yet been detected.

AUDITORS

PricewaterhouseCoopers, Temple Court, 35 Bull Street, Birmingham B4 6JT.

An elective resolution has been passed in accordance with Section 386 of the Companies Act 1985, as amended, dispensing with the requirement to appoint auditors on an annual basis. The Directors have been granted power to fix the remuneration of the auditors.

ACORDIS ACETATE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

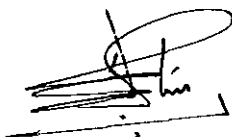
DONATIONS

Charitable donations of £34,881 were paid in the year (1998 - £23,131). No political donations were made in the year (1998 - £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 1999 were equivalent to 43 days of purchases (31 December 1998 - 41 days).

By Order of the Board



D A Stevens
Secretary
PO Box 5
Spondon
Derby
DE21 7UP

31 March 2000

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham B4 6JT
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AUDITORS' REPORT TO THE MEMBERS OF ACORDIS ACETATE CHEMICALS LIMITED

We have audited the financial statements on pages 6 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

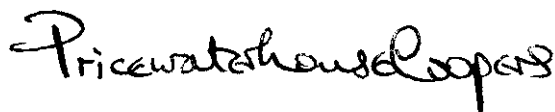
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors**

31 March 2000

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ACORDIS ACETATE CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	Year ended 31 December 1999 £'000	9 months ended 31 December 1998 £'000
TURNOVER			
- continuing		91,630	72,363
- discontinued		<u>30,092</u>	<u>55,665</u>
	2	121,722	128,028
Cost of sales		<u>(106,290)</u>	<u>(112,995)</u>
GROSS PROFIT		15,432	15,033
Administrative expenses			
- excluding exceptional costs		(7,548)	(4,882)
- exceptional costs	3	<u>(4,456)</u>	<u>(4,299)</u>
Total administrative expenses		(12,004)	(9,181)
Selling and distribution expenses		(5,362)	(6,175)
Other operating income		1,769	1,496
OPERATING (LOSS)/PROFIT			
- continuing		(2,558)	(132)
- discontinued		<u>2,393</u>	<u>1,305</u>
	3	(165)	1,173
Income from other fixed asset investments		2,928	-
Profit/(loss) on sale of businesses	4	10,900	(6,560)
Loss on disposal of fixed assets of continuing operations		<u>(1,861)</u>	<u>(2,742)</u>
PROFIT/(LOSS) BEFORE INTEREST		11,802	(8,129)
Interest payable and similar charges	5	<u>(4,381)</u>	<u>(4,647)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		7,421	(12,776)
Taxation on profit/(loss) on ordinary activities	6	<u>-</u>	<u>497</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERED FROM RESERVES		<u>7,421</u>	<u>(12,279)</u>

The notes on pages 9 to 21 form part of these financial statements.

ACORDIS ACETATE CHEMICALS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December <u>1999</u> £'000	9 months ended 31 December <u>1998</u> £'000
Profit/(loss) attributable to shareholders	7,421	(12,279)
Revaluation deficit arising on properties revalued during the period	<u>-</u>	<u>(220)</u>
Total recognised gains and losses for the financial year	<u>7,421</u>	<u>(12,499)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year ended 31 December <u>1999</u> £'000	9 months ended 31 December <u>1998</u> £'000
Profit/(loss) before taxation	7,421	(12,776)
Realisation of property revaluation surplus from previous years	1,178	41
Difference between historical cost depreciation and actual depreciation charge calculated on the revalued amount	<u>23</u>	<u>18</u>
Historical cost profit/(loss) before taxation	<u>8,622</u>	<u>(12,717)</u>
Historical cost retained profit/(loss) for the year	<u>8,622</u>	<u>(12,220)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Year ended 31 December <u>1999</u> £'000	9 months ended 31 December <u>1998</u> £'000
Profit/(loss) for the financial year	7,421	(12,279)
Net property revaluation	<u>-</u>	<u>(220)</u>
Net addition to/(reduction in) shareholder's funds	7,421	(12,499)
Opening equity shareholder's funds	<u>80,996</u>	<u>93,495</u>
Closing equity shareholder's funds	<u>88,417</u>	<u>80,996</u>

ACORDIS ACETATE CHEMICALS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

	Notes	<u>31 December 1999</u>		<u>31 December 1998</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		113,233		144,621
Investments	9		<u>405</u>		<u>1,861</u>
			113,638		146,482
CURRENT ASSETS					
Stocks	10		9,551		19,735
Debtors	11		14,504		24,906
Cash at bank and in hand			<u>66</u>		<u>-</u>
			24,121		44,641
CREDITORS (amounts falling due within one year)	12		<u>(46,822)</u>		<u>(100,277)</u>
NET CURRENT LIABILITIES			(22,701)		(55,636)
TOTAL ASSETS LESS CURRENT LIABILITIES			90,937		90,846
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>(2,520)</u>		<u>(9,850)</u>
			88,417		80,996
CAPITAL AND RESERVES					
Called up equity share capital	15		50,000		50,000
Revaluation reserve	16		1,411		2,612
Profit and loss account	16		<u>37,006</u>		<u>28,384</u>
EQUITY SHAREHOLDER'S FUNDS			88,417		80,996

Approved by the Board on 31 March 2000.



J A Bednall
DIRECTOR

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999

1 ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of freehold land and buildings, and in accordance with applicable United Kingdom accounting standards. As all of the Company's subsidiary undertakings both individually and in aggregate are immaterial, the Company is exempt under section 229 of the Companies Act 1985 from preparing Group accounts.

The accounts have been prepared to comply with Financial Reporting Standard Number 12, Provisions and Contingencies, which applies to the Company's accounts for the first time. No adjustments to comparative figures were necessary to achieve compliance with this Standard.

(2) Turnover

Turnover is the total amount of sales invoiced to customers, net of carriage, insurance, freight and value added tax.

(3) 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 31 December 1999, apart from those instances where forward cover contracts exist in which case the relevant forward exchange rate has been used. All translation differences are dealt with through the profit and loss account.

(4) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historic cost or revalued amounts on an open market existing use basis, less accumulated depreciation. Depreciation is calculated on a straight line basis so as to write-off the cost or revalued amount of the various assets over the period of their expected useful economic lives. The rates of depreciation vary generally between 5% and 10% on buildings and 6.67% and 20% on plant, equipment and fixtures and fittings. No depreciation is provided on freehold land or capital work in progress.

(5) Investments

Investments in subsidiaries and associated companies are stated at cost less provision for permanent diminution in value.

(6) Stock Valuation

Stocks are stated at the lower of cost and net realisable value. Cost includes factory overheads where applicable.

(7) Research and Development

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

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Acquisitions and Goodwill

The results of companies acquired or disposed of during the year are dealt with from/to the effective date of acquisition/disposal. The net assets of companies 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 companies would otherwise be inconsistent with those of the Company. Goodwill on acquisition is capitalised in the balance sheet and amortised over its useful economic life.

(9) Operating Leases

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

(10) Finance Leases

Assets acquired under finance leases whereby substantially all of the risks and rewards of ownership are transferred are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and depreciated over the useful economic life of the asset. The corresponding liability is recorded as a loan creditor and the interest element of the repayment is charged to the profit and loss account over the lease period.

(11) Pensions

Contributions to the Akzo Nobel UK (CPS) pension schemes are assessed by a qualified actuary based on the cost of providing pensions across all participating companies from the former Courtaulds Group. Costs are not determined for each individual Company hence contributions are charged to the profit and loss account to spread the cost of providing pensions over the employee's estimated average working lives with the former Courtaulds Group.

(12) Deferred Taxation

Deferred Taxation is provided only in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that there is a reasonable probability that such deferred taxation will be payable within the foreseeable future after taking into account the availability of group relief.

2 EXPORTS AND SEGMENTAL REPORTING

Prior to 1 November 1999, all exports were made on an agency basis through the subsidiary company Acordis Exports Limited. Following the transfer of this business to the Company on 1 November, exports have been made directly from the Company.

Turnover represents the sale of chemicals and related products. In the opinion of the Directors, the disclosure of an analysis of turnover by destination would be seriously prejudicial to the Company and therefore no such disclosure has been included within these accounts.

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

3 OPERATING PROFIT

The analysis of operating profit between continuing and discontinued operations is as follows:

	Year ended 31 December 1999			9 months ended 31 December 1998		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	91,630	30,092	121,722	72,363	55,665	128,028
Cost of sales	(80,260)	(26,030)	(106,290)	(64,444)	(48,551)	(112,995)
Gross Profit	11,370	4,062	15,432	7,919	7,114	15,033
Administrative expenses:						
- excluding exceptional costs	(7,341)	(207)	(7,548)	(2,174)	(2,708)	(4,882)
- exceptional costs	(4,456)	-	(4,456)	(4,299)	-	(4,299)
- total administrative expenses	(11,797)	(207)	(12,004)	(6,473)	(2,708)	(9,181)
Selling and distribution costs	(3,900)	(1,462)	(5,362)	(3,074)	(3,101)	(6,175)
Other operating income	1,769	-	1,769	1,496	-	1,496
Operating (Loss)/Profit	(2,558)	2,393	(165)	(132)	1,305	1,173

Operating profit is stated after charging/(crediting) the following amounts:

	Year ended 31 December 1999 £'000	9 months 31 December 1998 £'000
Total staff costs (note 7)		
- excluding exceptional operating costs	30,093	31,092
- exceptional operating costs	1,594	1,375
	31,687	32,467
Operating lease rentals – plant and machinery	1,997	1,465
Depreciation on owned assets	12,100	13,736
Provision for permanent diminution in value of investment	1,456	-
Auditors' fees and expenses	55	42
Rental income	-	(590)
Research and development	1,015	1,431

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

3 OPERATING PROFIT (CONTINUED)

Exceptional operating costs were incurred in the reorganisation of the remaining business units and comprised redundancy costs of £1,594,000 (1998 - £1,375,000) which are shown within note 7. The balance of exceptional operating costs arising in the period of £2,862,000 (1998 - £2,500,000) comprised refurbishment costs together with costs in respect of the demolition of redundant fixed assets. In 1998, further exceptional operating costs of £424,000 were incurred which were not included in any specific statutory disclosable category.

4 PROFIT/(LOSS) ON SALE OF BUSINESSES

During the year, the company sold a number of businesses. This generated a net profit of £7,190,000 (1998 - loss of £6,560,000). In addition, £2,410,000 of the closure provision established in the prior year on the disposal of the former business at Stretford was released following the sale of the remaining site to Akzo Nobel UK Limited. A further £1,300,000 of contingent consideration was received from the sale of the Water Soluble Polymers in March 1998. A tax charge of £390,000 has arisen as result of these transactions which has been offset by current year trading losses.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 1999 £'000	9 months 31 December 1998 £'000
Interest on bank and other borrowings fully repayable within five years	(4,381)	(4,647)
	==	==

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1999 £'000	9 months 31 December 1998 £'000
UK Corporation tax at 30.25% (31 December 1998 – 31%)	-	-
Deferred taxation (note 14)	-	(142)
Prior year credits	-	(355)
	-	(497)
	==	==

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

7 DIRECTORS AND EMPLOYEE INFORMATION

	Year ended 31 December 1999 £'000	9 months 31 December 1998 £'000
Staff Costs:		
Wages and salaries excluding exceptional costs	27,980	28,983
- exceptional operating costs	1,594	1,375
- exceptional non-operating costs	-	1,240
Total wages and salaries	29,574	31,598
Social security costs	2,113	2,109
Other pension costs (see note 21)	-	-
	31,687	33,707

Wages and salaries for the year ended 31 December 1999 include exceptional charges of £1,594,000 which are primarily related to redundancy costs associated with the restructuring of the Company's Acetate business (the wages and salaries figures for the 9 months ended 31 December 1998 included exceptional charges of £2,615,000 for similar restructuring expenditure).

	Year ended 31 December 1999 Number	9 months 31 December 1998 Number
The average number of persons employed during the year, all of whom were employed in the UK, was:	1,193	1,641

	Year ended 31 December 1999 £'000	9 months 31 December 1998 £'000
Aggregate directors' emoluments were as follows:		
Salaries and benefits in kind	-	64
Performance related bonuses	-	-
Pension fund contributions	-	4
	-	68

No directors received any emoluments during the year (1998 - £68,000). All of the directors are members of the Akzo Nobel UK (CPS) Pension Scheme.

During 1998, a first and final payment amounting to £48,150 became payable under the LTIS scheme to one director.

As the total directors emoluments do not exceed £200,000, the Company has taken advantage of the exemptions provided by the Companies Act and not disclosed details of the emoluments of the highest paid director.

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Capital work in progress £'000	Total £'000
<u>Cost or valuation</u>					
At 1 January 1999	17,049	225,863	3,576	21,046	267,534
Additions	-	815	23	7,822	8,660
Disposals	(410)	(700)	(64)	-	(1,174)
Group transfers	(3,784)	(40,282)	(569)	(6,993)	(51,628)
Reclassifications	<u>1,506</u>	<u>6,508</u>	<u>579</u>	<u>(8,593)</u>	<u>-</u>
At 31 December 1999	<u>14,361</u>	<u>192,204</u>	<u>3,545</u>	<u>13,282</u>	<u>223,392</u>
At cost	138	192,204	3,545	13,282	209,169
At 1998 valuation	<u>14,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,223</u>
	<u>14,361</u>	<u>192,204</u>	<u>3,545</u>	<u>13,282</u>	<u>223,392</u>
<u>Depreciation</u>					
At 1 January 1999	318	120,524	2,071	-	122,913
Charge for the period	1,027	10,554	519	-	12,100
Disposals	(410)	(698)	(64)	-	(1,172)
Group transfers	<u>(148)</u>	<u>(23,408)</u>	<u>(126)</u>	<u>-</u>	<u>(23,682)</u>
At 31 December 1999	<u>787</u>	<u>106,972</u>	<u>2,400</u>	<u>-</u>	<u>110,159</u>
<u>Net book amounts</u>					
At 31 December 1999	<u>13,574</u>	<u>85,232</u>	<u>1,145</u>	<u>13,282</u>	<u>113,233</u>
At 31 December 1998	<u>16,731</u>	<u>105,339</u>	<u>1,505</u>	<u>21,046</u>	<u>144,621</u>

Included within freehold land and buildings is land amounting to £5,099,000 (31 December 1998 - £7,909,000) which is not depreciated.

Assets held under finance leases are included in plant and machinery at a cost of £467,000 (31 December 1998 - £467,000) and accumulated depreciation of £467,000 (31 December 1998 - £467,000).

If the amount of revalued assets had been determined in accordance with the historic cost convention at 31 December 1999, they would have been included at:

	31 December 1999 £'000	31 December 1998 £'000
Cost	26,552	29,871
Depreciation	<u>(14,515)</u>	<u>(15,752)</u>
Net book amount at 31 December 1999	<u>12,037</u>	<u>14,119</u>

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

8 TANGIBLE FIXED ASSETS (CONTINUED)

The Company's freehold land and buildings were revalued by Akzo Nobel UK Property Department during the 9 month period ended 31 December 1998 on the basis of open market value for existing use. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The book value of the properties were adjusted to the valuations and the resultant deficit was charged against the revaluation reserve to the extent that the reserve included amounts related to those assets. Any remaining deficits were charged to the profit and loss account.

9 FIXED ASSET INVESTMENTS

	Subsidiary companies £'000	Other investments £'000	Total investments £'000
<u>Cost</u>			
At 1 January 1999 and 31 December 1999	1,456	405	1,861
	=====	=====	=====
<u>Provision for permanent diminution in value</u>			
At 1 January 1999	-	-	-
Provided during year	1,456	-	1,456
At 31 December 1999	1,456	-	1,456
	=====	=====	=====
<u>Net book amounts</u>			
At 31 December 1999	-	405	405
	=====	=====	=====
At 31 December 1998	1,456	405	1,861
	=====	=====	=====

The balances in each of the above categories relate entirely to holdings of equity share capital.

Subsidiary undertakings

	Proportion of Ordinary Share Capital held
Acordis Exports Limited	100%
Textrade Limited	100%

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

9 FIXED ASSET INVESTMENTS (CONTINUED)

The subsidiary undertakings are incorporated and registered in England and Wales. Textrade Limited is dormant and Acordis Exports Limited was dormant at the year end. Until 1 November 1999, Acordis Exports Limited was engaged in the provision of export services for certain Akzo Nobel UK Limited Group companies.

Other investments

Proportion of
Ordinary Share Capital held

Derwent Co-Generation Limited 17.5%

Derwent Co-Generation Limited, which is registered in England and Wales, is engaged in the operation of a gas turbine combined heat and power station. The power station was commissioned on 1 May 1995.

In accordance with Section 229 of the Companies Act 1985 as all of the company's subsidiary undertakings both individually and in aggregate are immaterial, the company is not required to prepare group financial statements.

10 STOCKS

	31 December 1999 £'000	31 December 1998 £'000
Raw materials and consumables	3,027	6,485
Work in progress	476	2,616
Finished goods and goods for resale	6,048	10,634
	9,551	19,735
	<u> </u>	<u> </u>

In the opinion of the directors the carrying value of stocks is not materially different to its replacement cost.

11 DEBTORS

	31 December 1999 £'000	31 December 1998 £'000
Trade debtors	7,749	17,603
Amounts owed by other Group undertakings	4,619	4,774
Other debtors	1,206	675
Prepayments and accrued income	930	987
Corporation tax recoverable	-	355
Deferred tax (note 14)	-	512
	14,504	24,906
	<u> </u>	<u> </u>

There are no debtors due after more than one year.

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

12 CREDITORS (amounts falling due within one year)

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
Bank overdraft	-	80,244
Trade creditors	14,662	14,744
Amounts owed to other Group undertakings	29,430	1,397
Other taxation and social security	649	160
Other creditors	1,188	2,894
Accruals and deferred income	<u>893</u>	<u>838</u>
	46,822	100,277
	<u><u> </u></u>	<u><u> </u></u>

Bank overdrafts are stated net of related cash balances of £nil million (31 December 1998 - £12.7 million) as the Company has a right of set off arrangement with the bank.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation <u>provision</u> £'000	Deferred <u>taxation</u> £'000	<u>Total</u> £'000
At 1 January 1999			
- reorganisation provision	9,850	-	9,850
- deferred tax asset	-	(512)	(512)
Provided during the year	1,594	-	1,594
Utilised during the year	(6,514)	512	(6,002)
Released during the year	<u>(2,410)</u>	<u>-</u>	<u>(2,410)</u>
At 31 December 1999	2,520	-	2,520
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

The above reorganisation provision relates to the costs of restructuring the Company's Acetate business. All of the associated outflows are expected to occur within one year of the balance sheet date.

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

14 DEFERRED TAX

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
The deferred taxation provision/(asset) in the balance sheet comprises:		
Accelerated capital allowances	-	-
Short term timing differences	<u>-</u>	<u>(512)</u>
	-	(512)
	<u>=</u>	<u>=</u>

The prior year deferred tax asset is in respect of reorganisation activity initiated following the acquisition of the company's ultimate parent undertaking.

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
If deferred taxation had been provided in full the balance would have been:		
Accelerated capital allowances	15,022	16,678
Short term timing differences	<u>(756)</u>	<u>(3,071)</u>
	14,266	13,607
	<u>=</u>	<u>=</u>

No provision has been made for the deferred tax liability that could arise if revalued assets were sold at their revalued amount, as there is no intention to dispose of these assets.

15 CALLED UP EQUITY SHARE CAPITAL

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
Authorised:		
65,000,000 Ordinary Shares of £1 each	65,000	65,000
	<u>=</u>	<u>=</u>
Issued and fully paid:		
50,000,000 Ordinary Shares of £1 each	50,000	50,000
	<u>=</u>	<u>=</u>

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

16 RESERVES

	Profit and loss <u>account</u> £'000	Revaluation <u>reserve</u> £'000
At 1 January 1999	28,384	2,612
Profit for the year	7,421	-
Excess depreciation on revalued fixed assets	23	(23)
Realised on disposal of property	<u>1,178</u>	<u>(1,178)</u>
At 31 December 1999	<u>37,006</u>	<u>1,411</u>

17 CAPITAL COMMITMENTS

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
Capital expenditure contracted for but not provided in the financial statements	2,490	2,329
	<u> </u>	<u> </u>

18 OPERATING LEASES – PLANT AND MACHINERY

	31 December <u>1999</u> £'000	31 December <u>1998</u> £'000
Annual commitments payable under non-cancellable operating leases expiring:		
Within one year	400	608
Between one and five years	586	955
After five years	<u>287</u>	<u>244</u>
	<u>1,273</u>	<u>1,807</u>
	<u> </u>	<u> </u>

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

19 ACQUISITION OF THE BUSINESS AND ASSETS OF ACORDIS EXPORT SERVICES

On 1 November 1999, the business and assets of Acordis Export Services Limited, a 100% subsidiary, were transferred to the Company. The assets at the date of transfer, their provisional fair values and the goodwill arising are as follows:

	<u>Book & Provisional Fair Value</u>
	£'000
Tangible Fixed Assets	23
Cash	1,738
Debtors	3,416
Creditors: amounts falling due within one year	<u>(3,192)</u>
Net assets	1,985
Consideration	<u>1,985</u>
Goodwill arising	-

20 CASHFLOW STATEMENT

The cash flows for the period are included within the consolidated cash flow statements disclosed in the accounts of Akzo Nobel N.V. Therefore in accordance with Financial Reporting Standard Number 1 (Revised 1996), no cash flow statement is required in these financial statements.

21 PENSION CONTRIBUTIONS

The Company participates in the main Akzo Nobel UK (CPS) Pension Scheme, a defined benefit scheme funded by Group companies, which makes available pension benefits to the majority of the former Courtaulds Group UK employees. Pension contributions are based on pension costs across the former Courtaulds Group as a whole. The main Akzo Nobel UK (CPS) Pension Scheme was valued by independent actuaries as at 31 March 1998. Particulars of the actuarial valuation of the scheme are shown in the financial statements of Akzo Nobel UK Limited.

22 TRANSACTIONS WITH DIRECTORS

No Director has had a material interest in any contract with the Company during the period.

ACORDIS ACETATE CHEMICALS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (CONTINUED)

23 RELATED PARTY TRANSACTIONS

Given that 100% of the Company's voting rights are controlled within the Acordis B.V. Group, the Company has taken advantage of the exemptions with Financial Reporting Standard Number 8 (Related Party Transactions) and not included details in these accounts of transactions with other Group companies.

Derwent Co-Generation Limited

The Company purchased services from Derwent Co-Generation to the value of £10,205,075 during the period 1 January 1999 to 31 December 1999, (year ended 31 December 1998 - £9,209,933) and the amount owing at period end to Derwent Co-Generation was £832,192 (31 December 1998 - £Nil).

Novaceta Limited and Novaceta SPA

Part of the Company's manufacturing sites are leased to Novaceta Limited for 30 years from 31 December 1991 at a peppercorn rent. In addition charges totalling £6.1 million (31 December 1998 - £4.2 million) were charged for the provision of site services under formal contractual arrangements, whilst charges totalling £0.2 million (31 December 1998 - £0.2 million) were incurred from Novaceta in respect of sundry services provided to the Company.

Cellulosic flake produced by the Company was sold to Novaceta Limited, at a cost of £9.2 million (31 December 1998 - £11.9million) on an arms-length basis at a market price determined by agreed contractual terms.

The amount due at the year end from Novaceta Limited was £2,297,000 (31 December 1998 - £3,556,000)

24 CONTINGENT LIABILITIES

The Company and certain other fellow subsidiaries are parties to a Group banking facility under which the gross balances standing to the credit to of the Company on these accounts at the period end may be used to offset liabilities of other subsidiaries to the bank. The gross amount outstanding to the credit of the Company under this arrangement at the period end was £1.3 million (31 December 1998 - £29.9 million).

In addition, performance guarantees amounting to £1.5 million (31 December 1998 - £1.8 million) have been given by the bank on behalf of the Company.

25 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Acordis International Holding B.V., a company registered in The Netherlands which in turn is a wholly owned subsidiary undertaking of the ultimate parent company and controlling party, Acordis B.V., which is registered in The Netherlands. Acordis B.V. became the ultimate parent undertaking on 31 December 1999, prior to this date the ultimate parent undertaking was Akzo Nobel N.V., which is also registered in The Netherlands. Copies of the Acordis B.V. Accounts may be obtained from Investor Relations, 76 Velperweg / 6824BM, 6800 SB Arnhem, The Netherlands.