

**DU PONT (U.K.) LIMITED**  
**(REGISTERED NUMBER 565289)**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 December 1997**



## **DU PONT (U.K.) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997**

The directors of Du Pont (U.K.) Limited present their annual report together with the audited financial statements of the Company for the year ended 31 December 1997.

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The following directors served during the year and up to the date of this report:

WO Walker	(Chairman)
CL Nathan	(Resigned 31 March 1998)
P Mackey	(Resigned 14 October 1997)
JR Kerr	
DHJ Mays	
MT Stewart	
RI Doig	
FW Burns	(Appointed 3 February 1998)

None of the directors had any beneficial interest in any contract to which the Company was a party during the year.

None of the directors had any beneficial shareholding in the Company or any other Company in the Conoco (U.K.) Limited group at any time during the year and up to the date of this report.

#### **PRINCIPAL ACTIVITY**

The Company's principal business activity is the manufacture, sale and distribution of chemical products. The business encompassed fibres, printing and publishing, polymers, chemicals and specialities, and electronics.

#### **BUSINESS REVIEW**

The directors consider that the Company has performed satisfactorily in its chosen markets during the past year, although there has been an adverse impact on operating profit due to the strength of sterling. Operating profit is stated after charging exceptional reorganisation costs of £32,701,000 (1996 £9,759,000). During the year the Company agreed to sell its Printing and Publishing business, consequently the results reflect a provision for the loss on disposal of this business of £70,453,000. On 31 December 1997, the Company acquired the assets and business of the ICI Resins and Intermediates division.

#### **RESULTS AND DIVIDENDS**

The Company made a loss after taxation for the financial year of £55,001,000 (1996 - profit of £84,837,000).

A final dividend of £Nil (1996 - £Nil) is proposed and hence a retained loss of £55,001,000 (1996 - profit of £84,837,000) will be deducted from (1996 added to) reserves.

## **DU PONT (U.K.) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)**

#### **PAYMENT OF SUPPLIERS**

The Company recognises the importance of the development of mutually beneficial relationships with its suppliers. It is the Company's policy to settle all debts with suppliers on a timely basis taking account of the credit period given by each supplier.

#### **RESEARCH AND DEVELOPMENT**

The Company's research and development programmes are primarily focused on the extension of existing product lines, quality improvements and cost reduction.

#### **FUTURE DEVELOPMENTS**

The directors consider that the Company will show an improvement in trading results in future years.

On 1 February 1998, the Company acquired the assets and business of the ICI's Polyester Film business.

On 28 February 1998, the Company disposed of the assets of its Printing and Publishing business, at an estimated loss of £70,453,000.

#### **PERSONNEL**

It is the Company's policy to encourage full and fair consideration of disabled persons in connection with employment, training, career development and promotion opportunities.

The Company continues to provide its employees with regular information through its newspaper and magazines, bulletins, handbooks, videos and other internal communications. Additionally, managers keep employees specifically informed and consult them on those aspects of the business which affect them directly. The Company believes that such information and consultation enables employees to maximise their individual contributions towards the common aims of the business and to obtain maximum satisfaction from their participation.

## DU PONT (U.K.) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 assume that the Company will continue in business.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed.

By Order of the Board



J LEIPER  
Secretary

29th June 1998

Registered office:

Wedgwood Way  
Stevenage  
Hertfordshire  
SG1 4QN

*Price Waterhouse*



## AUDITORS' REPORT TO THE MEMBERS OF DU PONT (U.K.) LIMITED

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention as modified to include the current costing of a deferred liability and the accounting policies set out on pages 7 to 9.

### Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 mis-statement, 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

**PRICE WATERHOUSE**  
**Chartered Accountants**  
**and Registered Auditors**

29 June 1998

# DU PONT (U.K.) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £'000	1996 £'000
<b>TURNOVER</b>			
Continuing operations	2	878,668	923,656
Discontinued operations		<u>143,508</u>	<u>160,698</u>
		1,022,176	1,084,354
Cost of sales		<u>(812,803)</u>	<u>(843,025)</u>
<b>GROSS PROFIT</b>		209,373	241,329
Distribution costs		(33,029)	(31,056)
Administrative expenses		(48,164)	(45,579)
Other operating expenses		<u>(99,125)</u>	<u>(61,860)</u>
		(180,318)	(138,495)
<b>OPERATING PROFIT</b>	3	37,922	122,089
Continuing operations		<u>(8,867)</u>	<u>(19,255)</u>
Discontinued operations		29,055	102,834
Release of provision against fixed asset investment		-	3,609
Provision for (Loss)/Profit on sale of businesses		(70,453)	19,101
Profit on sale of other fixed assets		<u>324</u>	<u>264</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(41,074)	125,808
Interest receivable and similar income	5	15,049	8,798
Interest payable and similar charges	6	<u>(26,971)</u>	<u>(26,343)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(52,996)	108,263
Tax on (loss)/profit on ordinary activities	7	<u>(2,005)</u>	<u>(23,426)</u>
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>		(55,001)	84,837
Profit and loss account brought forward		<u>175,033</u>	<u>90,196</u>
<b>PROFIT AND LOSS ACCOUNT CARRIED FORWARD</b>		<u>120,032</u>	<u>175,033</u>

All recognised gains and losses for the year are included in the profit and loss account. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

The notes on pages 7 to 22 form part of these financial statements.

# DU PONT (U.K.) LIMITED

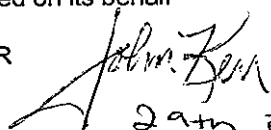
## BALANCE SHEET - 31 DECEMBER 1997

	Notes	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	2,994	-
Tangible assets	9	451,730	284,811
Investments	11	<u>374,458</u>	<u>324,758</u>
		829,182	609,569
<b>CURRENT ASSETS</b>			
Stocks	13	93,453	70,338
Debtors	14	186,762	182,545
Cash at bank and in hand		<u>6,631</u>	<u>39,346</u>
		286,846	292,229
<b>CREDITORS (amounts falling due within one year)</b>	15	<u>(366,244)</u>	<u>(153,325)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(79,398)</u>	<u>138,904</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		749,784	748,473
<b>CREDITORS (amounts falling due after more than one year)</b>	16	(286,980)	(288,593)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(75,088)	(15,612)
<b>ACCRUALS AND DEFERRED INCOME</b>	18	<u>(11,243)</u>	<u>(12,794)</u>
		376,473	431,474
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	19	167,364	167,364
Share premium account	20	5,410	5,410
Other capital reserves	20	83,667	83,667
Profit and loss account	20	<u>120,032</u>	<u>175,033</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	<u>376,473</u>	<u>431,474</u>

The notes on pages 7 to 22 form part of these financial statements.

Approved by the Board on  
and signed on its behalf

JR KERR  
Director

  
24th June 1998  
6

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

#### 1 ACCOUNTING POLICIES

##### (1) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified to include the current costing of a deferred liability, and in accordance with applicable accounting standards.

At 31 December 1997 DuPont (U.K.) Limited was a wholly owned subsidiary of Conoco (U.K.) Limited, a company incorporated in England, and therefore under Section 228(2) of the Companies Act 1985, is exempt from producing group accounts. As permitted by Financial Reporting Standard 1 (revised), the Company is also exempt from producing a cash flow statement.

##### (2) Turnover

Turnover represents the amounts receivable for goods sold and services provided after deducting VAT.

##### (3) Intangible fixed assets and amortisation

Goodwill arising on acquisition is capitalised and amortised over its estimated useful economic life of 15 years.

##### (4) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line or sum of the digits basis to write off the cost of tangible fixed assets over their estimated useful lives which are:

Freehold and leasehold buildings	35 to 50 years
Long life fixtures, fittings and equipment	6 to 10 years
Plant and machinery	10 years
Short life equipment, motor vehicles and computer hardware	3 to 6 years

Leasehold improvements are depreciated over the life of the lease if shorter than 10 years, or at the fixtures and fittings rates given above. No depreciation is provided for freehold land or assets in the course of construction.

##### (5) Government grants

Government capital grants received in respect of fixed asset additions are treated as deferred income and included in the balance sheet as Accruals and Deferred Income. The grants are credited to the profit and loss account over the estimated useful lives of the assets to which they relate.

Interest relief grants are credited to the profit and loss account as and when they become receivable.

##### (6) Assets in the course of construction

Direct costs, including own labour, incurred during the construction of plant and machinery for use by the Company are capitalised. These costs are included in tangible assets as "assets in the course of construction" until the asset is operational. No depreciation is provided until an asset is operational.



## **DU PONT (U.K.) LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (CONTINUED)**

##### **(7) Patents and technical information**

Patents and technical information are stated at cost less amortisation provided at the rates of 10% or 20% per annum.

##### **(8) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises purchase price or direct production cost together with Customs and Excise duties, freight and manufacturing overheads as appropriate.

##### **(9) Research and development expenditure**

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

##### **(10) Foreign currency balances**

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling at the rates of exchange prevailing at the dates of those transactions. All exchange differences are included in the profit and loss account.

Assets and liabilities denominated in foreign currencies, are translated into sterling at the rates of exchange prevailing at the balance sheet date.

##### **(11) Deferred taxation**

A deferred taxation provision, calculated using the liability method, is made only where the effects of timing differences between profits as stated in the accounts and those as computed for taxation purposes are likely to reverse in the foreseeable future.

In computing the Company's taxation liability, full benefit is taken for non-taxable government grants received in respect of eligible expenditure.

##### **(12) Operating leases**

Rentals under operating leases are charged to the profit and loss account as they are incurred over the lease term.

##### **(13) Finance leases**

Assets held under finance leases, whereby substantially all the risks and rewards of ownership are transferred, are included in tangible fixed assets at their purchase cost and depreciated over the useful lives of the assets. The capital element of the leasing commitment is shown as amounts payable under finance leases and the interest element of the finance charge is charged against profits over the primary lease period.

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### (14) Pensions

The expected cost of pensions in respect of the Company's defined benefit pension scheme is charged to the profit and loss account over the estimated average working lifetimes of employees in the scheme. Actuarial surpluses and deficits are spread over the remaining expected working lifetimes of employees.

##### (15) Deferred liability

Deferred consideration relating to acquisitions is stated at its net present value at the balance sheet date, based on appropriate discount rates.

#### 2 TURNOVER

The analysis of turnover by class of business is as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Fibres	609,393	642,257
Polymers	105,900	106,811
Chemicals and specialities	71,337	73,620
Electronics	76,759	78,331
Medical products	1,225	7,493
Automotive products	<u>14,054</u>	<u>15,144</u>
	878,668	923,656
Discontinued operations	<u>143,508</u>	<u>160,698</u>
	<u>1,022,176</u>	<u>1,084,354</u>

The results of discontinued operations relate to the Printing and Publishing business, see note 4.

The analysis of turnover by geographical destination is as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
UK	522,296	528,522
Exports to Europe	411,217	458,570
Exports outside Europe	<u>88,663</u>	<u>97,261</u>
	<u>1,022,176</u>	<u>1,084,353</u>

The directors are of the opinion that disclosure of the result attributable to each class of business or geographical market would be seriously prejudicial to the Company.

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 3(1) OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	<u>1997</u> £'000	<u>1996</u> £'000
Aggregate directors' emoluments excluding pension contributions (note 22)	906	983
Depreciation - Owned assets	45,319	49,128
- Assets held under finance leases	-	8
Provisions for diminution in value of investments	260	-
Capital grants credited	(2,491)	(2,611)
Operating lease rentals - hire of plant and machinery	4,241	4,191
- other	91	76
Auditors' remuneration, including expenses - audit	212	212
- other services	322	338
Research and development expenditure	9,008	10,698
Exchange losses	7,731	7,613
Exceptional reorganisation costs of continuing operations	32,701	9,759
	<u>          </u>	<u>          </u>

The operating profit for discontinued operations is stated after charging:

	<u>1997</u> £'000	<u>1996</u> £'000
Cost of sales		
Distribution	123,467	144,074
Administration expenses	7,651	7,475
Other operating expenses	10,671	9,816
	10,586	18,588
	<u>          </u>	<u>          </u>

### 3(2) STAFF COSTS

	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries		
Social security costs	107,636	112,816
Other pension costs	8,599	8,701
	<u>17,466</u>	<u>13,369</u>
	133,701	134,886
	<u>          </u>	<u>          </u>

The average number of persons employed during the period was 3,937 (1996 - 4,269).

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 4 LOSS/(PROFIT) ON SALE OF BUSINESS

During the year the Company agreed to sell its Printing and Publishing business. On 28 February 1998 the sale became unconditional, following European regulatory clearance.

The exceptional loss of £70,453,000 disclosed within the accounts comprises a write down of fixed assets of £41,194,000, provision for pension commitments of £22,396,000 write down of stock of £3,927,000 and other liabilities of £2,936,000.

The 1996 exceptional profit of £19,101,000 primarily arose on sale of fixed assets.

### 5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £'000	1996 £'000
Bank deposit interest	2,181	4,060
Receivable from group undertakings	<u>12,868</u>	<u>4,738</u>
	15,049	8,798
	<u>          </u>	<u>          </u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
Bank borrowings	753	1,148
Accrued interest on deferred liability	2,405	2,333
Payable to group undertakings	23,777	22,834
Other	<u>36</u>	<u>28</u>
	26,971	26,343
	<u>          </u>	<u>          </u>

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 7 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The taxation charge based on the (loss)/profit on ordinary activities comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
United Kingdom corporation tax at 31.5% (1996 - 33%)		
- current year	2,005	32,180
- prior year	—	(8,754)
	<u>2,005</u>	<u>23,426</u>

A taxation charge has arisen on the current year's loss on ordinary activities due to the incidence of timing differences. No deferred tax provision has been made for accelerated capital allowances and other timing differences since, in the opinion of the directors, it is unlikely that these will reverse in the foreseeable future, (note 17).

#### 8 INTANGIBLE FIXED ASSETS

	<u>Goodwill</u> £'000
<u>Cost</u>	
At 31 December 1996	-
Additions	<u>2,994</u>
At 31 December 1997	<u>2,994</u>
<u>Amortisation</u>	
At 31 December 1997 and 1996	-
<u>Net Book Amount</u>	
At 31 December 1997	<u>2,994</u>
At 31 December 1996	-

The above goodwill arose on the acquisition of the ICI Resins and Intermediates business on 31 December 1997, see note 12.

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 9 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Motor vehicles, fixtures, fittings and equipment £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
<b><u>Cost</u></b>					
At 31 December 1996	86,320	25,311	525,797	27,901	665,329
Additions	34	1,610	770	80,167	82,581
Acquisitions	7,364	1,332	165,542	3,246	177,484
Construction					
allocations and transfers	1,063	1,512	31,762	(34,337)	-
Disposals	(270)	(5,784)	(11,161)	(127)	(17,342)
Transfer to current assets	(17,593)	(6,527)	(83,332)	(2,530)	(109,982)
At 31 December 1997	76,918	17,454	629,378	74,320	798,070
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Depreciation</u></b>					
At 31 December 1996	30,623	17,965	331,930	-	380,518
Charge for the year	2,462	2,509	40,348	-	45,319
Disposals	(85)	(4,120)	(10,306)	-	(14,511)
Transfer to current assets	(6,004)	(4,823)	(54,159)	-	(64,986)
At 31 December 1997	26,996	11,531	307,813	-	346,340
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Net book amounts</u></b>					
At 31 December 1997	49,922	5,923	321,565	74,320	451,730
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	55,697	7,346	193,867	27,901	284,811
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
The net book amount of land and buildings comprises:					
				<u>1997</u>	<u>1996</u>
				£'000	£'000
Freehold land and buildings				49,922	55,630
Long leasehold land and buildings				-	67
				<hr/>	<hr/>
				49,922	55,697
				<hr/>	<hr/>

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 9 TANGIBLE FIXED ASSETS (Continued)

##### Operating lease commitments

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts due within one year in respect of leases which expire:		
Within one year	479	297
Between one and five years	598	429
After five years	<u>-</u>	<u>-</u>
	<u>1,077</u>	<u>726</u>

#### 10 CAPITAL COMMITMENTS

The Company's contracted capital expenditure commitment at 31 December 1997 amounted to £25,229,000 (1996 - £10,811,000).

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 11 INVESTMENTS

	Associated undertakings	Group undertakings	Subsidiary undertakings			Total
	Shares	Loans	Shares	Loans	Other	
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost</u></b>						
At 31 December 1996	-	150,000	8,581	-	166,177	324,758
Additions	1,000	36,435	-	13,500	-	50,935
Repayments	-	(975)	-	-	-	(975)
	<u>1,000</u>	<u>185,460</u>	<u>8,581</u>	<u>13,500</u>	<u>166,177</u>	<u>374,718</u>
At 31 December 1997	1,000	185,460	8,581	13,500	166,177	374,718
	<u>1,000</u>	<u>185,460</u>	<u>8,581</u>	<u>13,500</u>	<u>166,177</u>	<u>374,718</u>
<b><u>Provisions for diminution in value</u></b>						
At 31 December 1996	-	-	-	-	-	-
Provided during the year	260	-	-	-	-	260
At 31 December 1997	260	-	-	-	-	260
	<u>260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260</u>
<b><u>Net book amounts</u></b>						
At 31 December 1997	740	185,460	8,581	13,500	166,177	374,458
	<u>740</u>	<u>185,460</u>	<u>8,581</u>	<u>13,500</u>	<u>166,177</u>	<u>374,458</u>
At 31 December 1996	-	150,000	8,581	-	166,177	324,758
	<u>-</u>	<u>150,000</u>	<u>8,581</u>	<u>-</u>	<u>166,177</u>	<u>324,758</u>

The following companies were the principal operating subsidiaries of DuPont (U.K.) Limited at 31 December 1997 and were all registered and operating in England.

	<u>Nature of business</u>	<u>% of share capital</u>
DUK Shipping Limited	Non trading	100%
Camtex Fabrics Limited	Shoe lining manufacturer	100%
DuPont (U.K.) Investments	Investment company	100%
Dupont Automotive Coatings U.K. Limited (formerly IDAC U.K. Limited)	Manufacture of automotive paints and finishes	100%

DUK Shipping Limited ceased to trade with effect from 1 April 1996.

In February 1997, DuPont-Kansai Automotive Coatings (U.K.) Limited was formed as a 50/50 joint venture with Kansai Paint Company Limited.



## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 12 ACQUISITION OF ASSETS OF ICI RESINS AND INTERMEDIATES BUSINESS

On 31 December 1997, the company acquired the UK assets and business of Imperial Chemical Industries plc's Resins and Intermediates division. The provisional fair value of the net assets acquired was £197,604,000, giving rise to provisional goodwill of £2,994,000. Consideration was paid in the form of cash of £200,598,000.

The net assets acquired and the provisional fair value adjustments assigned thereto are summarised below:

	Book values <u>acquired</u> £'000	Property <u>revaluations</u> £'000	<u>Other</u> £'000	Provisional fair <u>values</u> £'000
Land	43	4,687	-	4,730
Buildings	301	2,333	-	2,634
Plant and machinery	130,847	-	39,273	170,120
Stocks	20,719	-	-	20,719
Provisions	<u>(599)</u>	<u>-</u>	<u>-</u>	<u>(599)</u>
	<u>151,311</u>	<u>7,020</u>	<u>39,273</u>	<u>197,604</u>

Other fair value adjustments represent the difference between the fair value of the plant and machinery acquired, as specified in the sale and purchase agreement and the book values of those assets prior to the acquisition.

It is not possible to provide the disclosures for a substantial acquisition required by FRS6, as the results of the UK Resins and Intermediates business cannot be separately identified.

#### 13 STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Raw materials and consumables	23,472	15,219
Work in progress	4,261	4,441
Finished goods and goods for resale	<u>65,720</u>	<u>50,678</u>
	<u>93,453</u>	<u>70,338</u>

In the opinion of the directors, the replacement cost of stocks is not materially different to the balance sheet value.

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 14 DEBTORS

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Trade debtors	90,720	88,961
Amounts owed by group undertakings	75,022	83,325
Other debtors	15,837	8,938
Prepayments and accrued income	1,381	1,321
Asset held for disposal	<u>3,802</u>	<u>-</u>
	186,762	182,545
	<u><u>          </u></u>	<u><u>          </u></u>

### 15 CREDITORS (amounts falling due within one year)

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Bank loans and overdrafts	209,970	-
Trade creditors	51,931	47,768
Amounts owed to group undertakings	63,001	61,145
Corporation tax	23,744	30,540
Other creditors	110	2,202
Taxation and social security	2,366	2,594
Accruals and deferred income	13,122	7,076
Deferred liability	<u>2,000</u>	<u>2,000</u>
	366,244	153,325
	<u><u>          </u></u>	<u><u>          </u></u>

### 16 CREDITORS (amounts falling due after more than one year)

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Loans from group undertakings	251,000	251,000
Deferred liability	25,980	27,593
Other creditors	<u>10,000</u>	<u>10,000</u>
	286,980	288,593
	<u><u>          </u></u>	<u><u>          </u></u>

The deferred liability represents the net present value of payments due to ICI over the period to June 2001 as a result of the acquisition of its fibres division in July 1993.

# DU PONT (U.K.) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

### 17 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax <u>£'000</u>	Pensions and similar obligations <u>£'000</u>	Restructuring and other provisions <u>£'000</u>	Total <u>£'000</u>
At 31 December 1996	-	4,064	11,548	15,612
Utilised during the year	-	(22)	(15,283)	(15,305)
Provided during the year	-	<u>8,378</u>	<u>66,403</u>	<u>74,781</u>
At 31 December 1997	-	<u>12,420</u>	<u>62,668</u>	<u>75,088</u>

Pensions and similar obligations includes an amount of £10,336,000 (1996 - £1,821,000) in respect of a surplus on the Company's pension schemes which is being spread over a period of 13 years as described in note 23.

At 31 December 1997 the full potential liability for deferred taxation at 31% (1996 - 33%) comprised:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Capital allowances claimed for tax purposes in excess of depreciation charged in the accounts	37,589	45,069
Short-term timing differences	<u>(23,771)</u>	<u>(4,222)</u>
	<u>13,818</u>	<u>40,847</u>

### 18 ACCRUALS AND DEFERRED INCOME

	<u>Capital grants</u> <u>£'000</u>
At 31 December 1996	12,794
New capital grants	940
Released to profit and loss account	<u>(2,491)</u>
At 31 December 1997	<u>11,243</u>

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 19 CALLED UP SHARE CAPITAL

At 31 December 1996 and 1997:

	£'000
Authorised:	
200,000,000 Ordinary shares of £1 each	200,000
	<hr/>
Allotted, called up and fully paid:	
167,363,540 Ordinary shares of £1 each	167,364
	<hr/>

#### 20 RESERVES

	Share premium account £'000	Other capital reserves £'000	Profit and loss account £'000
At 31 December 1996	5,410	83,667	175,033
Retained loss for the year	-	-	(55,001)
At 31 December 1997	5,410	83,667	120,032
	<hr/>	<hr/>	<hr/>

The capital reserve arose in 1991 following the transfer of the shares in Du Pont Howson Limited by Conoco (U.K.) Limited, for which no payment was made. The company then purchased the business and assets from Du Pont Howson Limited at their net book value of £83,667,000.

Following the sale of the Printing and Publishing business on 28 February 1998 (see note 4) the reserve is deemed to be realised and is therefore considered to be distributable with effect from this date.

#### 21 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
(Loss)/Profit for the financial year	(55,001)	84,837
Opening equity shareholders' funds	431,474	346,637
Closing equity shareholders' funds	376,473	431,474
	<hr/>	<hr/>

## DU PONT (U.K.) LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

#### 22 DIRECTORS' EMOLUMENTS

	<u>1997</u> £'000	<u>1996</u> £'000
Aggregate emoluments	901	983
Company contributions paid to money purchase pension schemes	5	-
	==	==
<u>Highest paid director</u>		
	<u>1997</u> £'000	<u>1996</u> £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	289	285
	==	==

Retirement benefits are accruing to 4 (1996 - 7) directors under the defined benefit pension scheme.

#### 23 PENSION COSTS

The Company operates two contributory final salary pension plans. The assets of the plans are held in trust for the members, separately from the assets of the Company. The Company's contributions are determined on a balance of cost basis on the advice of an independent qualified actuary using the projected unit method.

##### Plan A

The latest actuarial valuation was carried out as at 31 December 1994. This showed that the plan was in surplus, with assets equal to 124% of its liabilities on an ongoing basis. It was assumed that future investment returns would be 9% per annum, salaries would grow by 6.5% per annum (plus an allowance for promotional increases) and UK equity dividend growth would be 4.5% per annum. No allowance was made for discretionary pension increases. The market value of the Plan's assets as at 31 December 1994 was £324.9 million.

Since the last valuation date the Company and Trustees agreed to guarantee pension increases at the lesser of 5% p.a. and price inflation, in the main section of the plan. If appropriate allowance for these allowances had been made at the time of the 1994 valuation the assets would have been equal to 110% of the liabilities on an ongoing basis.

The pension charge for the period was £13,200,000 (1996 - £10,798,000). This included a credit of £3,340,000 (1996 - £3,355,000) in respect of the amortisation of the accounting surplus over members' average future working lives, estimated to be 13 years. As at 31 December 1997, the Company's accounts included an accrual in respect of pensions of £9,569,000 (1996 - £1,767,000) (note 17).

## **DU PONT (U.K.) LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)**

#### **23 PENSION COSTS (CONTINUED)**

##### **Plan B**

The latest actuarial valuation was carried out as at 6 April 1996. This revealed a small deficit, with assets equal to 89% of the Plan's liabilities on an ongoing basis using the same assumptions as those adopted for the valuation of Plan A above, making no allowances for discretionary pension increases. However, had Plan B discontinued at the valuation date, its assets would have been sufficient to meet its accrued liabilities at that time. The market value of Plan B's assets as at 6 April 1996 was £42.9 million.

The pension charge for the period was £4,266,000 (1996 - £2,571,000). This includes £423,000 (1996 - £413,000) in respect of the amortisation over 13 years of the accounting deficit and £576,000 in respect of the cost of the discretionary pension increase granted during the year. As at 31 December 1997, there was an accrual in respect of pensions of £767,000 (1996 - £54,000) (note 17).

The ability of UK pension funds to reclaim tax credits on UK equity dividend income was removed by the July 1997 budget. No allowance has been made for the impact of this change in the 1997 SSAP24 pension cost.

#### **24 GUARANTEES AND CONTINGENT LIABILITIES**

At 31 December 1997 the Company had given specific counter indemnities of £4,042,000 (1996 - £3,297,619) in respect of bonds given on its behalf to HM Customs & Excise and others.

#### **25 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions and balances with fellow subsidiary undertakings, 90% or more of whose voting rights are held within the group, and which are included in the published financial statements of E.I. du Pont de Nemours and Company, the ultimate parent undertaking.

#### **26 SUBSEQUENT EVENTS**

On 1 February 1998 the Company acquired Imperial Chemical Industries plc Polyester Film business for a consideration of £177 million.

## **DU PONT (U.K.) LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)**

#### **27 ULTIMATE CONTROLLING PARTY**

The immediate parent undertaking is Conoco (U.K.) Limited, which is the parent undertaking of the smallest group to consolidate these accounts.

The ultimate parent undertaking and controlling party is E.I. du Pont de Nemours & Company (incorporated in the state of Delaware, USA) which is the parent undertaking of the largest group to consolidate these accounts.

Copies of Conoco (U.K.) Limited group accounts, and E.I. du Pont de Nemours & Company group accounts can be obtained from:

DuPont (U.K.) Limited  
Wedgwood Way  
Stevenage  
Hertfordshire  
SG1 4QN