



Borden Chemical GB Limited

Report and Financial Statements

31 December 2000



**Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ**

REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Hartland
B H Jones
T J Zappala
G C Gallacher

SECRETARY

B H Jones

REGISTERED OFFICE

Sully Moors Road
Sully, Penarth
South Glamorgan
CF64 5YU

BANKERS

National Westminster Bank plc
P O Box 315
High Street
Southampton
SO14 2BF

SOLICITORS

Allen & Overy
One New Change
London EC4M 3QQ

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

The principal activity of the company during the year has been the manufacture and sale of adhesives and resins, with sites at Barry, Cowie, Rotterdam and Haverhill (until June 2000).

RESULTS AND DIVIDENDS

The results of the year are as shown in the profit and loss account on page 6. The directors do not recommend payment of a dividend (1999: £nil).

FUTURE PROSPECTS

The directors anticipate that activity and results will improve now that the reorganisation of the company's operations with those of its fellow subsidiary, Borden Chemical UK Limited, is underway.

DIRECTORS

The directors who held office during the year were:

P J Hartland
B H Jones
T J Zappala

G C Gallacher was appointed director on 26 June 2001.

A Green resigned as secretary on 6 August 2001, when B H Jones was appointed.

None of the directors held any beneficial interest in the shares of the company or in any members of the group during the year or subsequently.

EMPLOYMENT OF DISABLED PERSONS

The company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available, and any necessary training is arranged.

Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

EMPLOYEE INVOLVEMENT

The company's senior management meets on a regular basis with union and other employee representatives to discuss company results and other issues or topical events. In addition, the company makes every effort to keep employees informed of its activities where this is possible.

POLITICAL AND CHARITABLE CONTRIBUTIONS

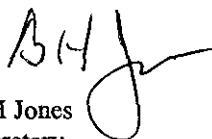
Donations to charities made during the year amounted to £nil (1999: £1,524). The company made no political contributions during the year.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'B H Jones', with a stylized flourish at the end.

B H Jones

Secretary

30 October 2001

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 as at the end of the financial year 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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' REPORT TO THE MEMBERS OF
BORDEN CHEMICAL GB LIMITED**

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

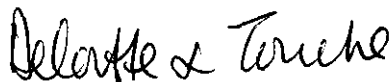
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
31 October 2001

Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

BORDEN CHEMICAL GB LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2000

	Note	2000 £000 Total	1999 £000 Continuing	1999 £000 Discontinued	1999 £000 Total
TURNOVER	2	37,648	43,574	6,895	50,469
Cost of sales		(35,859)	(37,202)	(6,841)	(44,043)
GROSS PROFIT		1,789	6,372	54	6,426
Distribution costs		(448)	(1,422)	-	(1,422)
Administrative expenses		(473)	(7,246)	(281)	(7,527)
OPERATING PROFIT/(LOSS)	3	868	(2,296)	(227)	(2,523)
(Loss)/profit on sale of operations	4	(697)			4,639
Interest receivable and similar income		-			19
Interest payable and similar charges	6	(3,482)			(183)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,311)			1,952
Tax on (loss)/profit on ordinary activities	7	944			(3,922)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED	15	(2,367)			(1,970)

Operating loss on continuing operations is stated after charging exceptional costs in 1999 of £3,290,961 for the reorganisation of the company following its acquisition by Borden International Holdings Limited. Further details are given in note 3. In addition, there was an exceptional tax charge in 1999 of £4,065,611, further details of which are given in note 7.

BORDEN CHEMICAL GB LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 31 December 2000

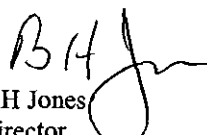
	2000 £'000	1999 £'000
Retained loss for the year	(2,367)	(1,970)
Currency translation differences	<u>101</u>	<u>42</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	<u><u>(2,266)</u></u>	<u><u>(1,928)</u></u>

BALANCE SHEET
31 December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible fixed assets	8	36,943	30,560
CURRENT ASSETS			
Stocks	9	2,681	3,622
Debtors	10	8,235	8,978
Cash at bank and in hand		727	2,370
		11,643	14,970
CREDITORS: amounts falling due within one year	11	(17,559)	(10,863)
NET CURRENT (LIABILITIES)/ASSETS		(5,916)	4,106
TOTAL ASSETS LESS CURRENT LIABILITIES		31,027	34,666
CREDITORS: amounts falling due after more than one year	12	(30,562)	(30,476)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(4,125)	(5,584)
		(3,660)	(1,394)
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Share premium account	15	128	128
Profit and loss account	15	(3,789)	(1,523)
EQUITY SHAREHOLDERS' FUNDS	16	(3,660)	(1,394)

These financial statements were approved by the Board of Directors on 23 October 2001.
Signed on behalf of the Board of Directors

B H Jones
Director



NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. Items not yet brought into use are classified as assets under construction and not depreciated. When such items are brought into use, they are transferred to the appropriate category and depreciation is charged. The depreciable lives are as follows:

Freehold land and buildings	50	Years
Vehicles	5	Years
Plant and equipment	10-18	Years
Office equipment	3-10	Years

Investments

Fixed asset investments are stated at cost less any provision for impairment. The company has not prepared consolidated accounts as it is exempt from this requirement under s228 of the Companies Act 1985. Consequently these financial statements present information about the company as an individual entity rather than its group.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value with cost being determined on the first in first out basis, and including an appropriate proportion of production overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The assets and liabilities of the overseas operations have been translated at the rate ruling at the balance sheet date. Income is translated at average rates of exchange. Exchange differences resulting from the re-translation at closing rates are dealt with in reserves.

Deferred taxation

Deferred taxation is provided on the liability method for all timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Research and development

Amounts spent on research and development are written off against income in the period incurred.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The company's turnover is attributable to one activity, the manufacture and sale of adhesives and resins. The geographical analysis of turnover is as follows:

	2000 £'000	1999 £'000
United Kingdom	21,150	29,727
Rest of Europe	16,358	20,187
Other	140	555
	<u>37,648</u>	<u>50,469</u>

3. OPERATING LOSS

	2000 £'000	1999 £'000
The operating loss is arrived at after charging:		
Depreciation of tangible fixed assets	2,424	2,547
Operating lease rentals:		
Plant and equipment	573	853
Land and buildings	12	13
Research and development	574	795
Auditor's remuneration – audit	32	31
	<u> </u>	<u> </u>

Details of exceptional items:

	Normal £'000	1999 Exceptional £'000	Total £'000
Cost of sales	43,099	944	44,043
Distribution costs	1,422	-	1,422
Administrative expenses	5,180	2,347	7,527
	<u>49,701</u>	<u>3,291</u>	<u>52,992</u>

4. (LOSS)/PROFIT ON SALE OF OPERATIONS

On 12 August 2000 the company disposed of its Haverhill chemical business for a consideration of £1,656,000 and on 22 November 2000 sold the remaining land and offices at Haverhill for consideration of £1,200,000. After accounting for related redundancies, the loss on disposal of these operations amounted to £697,000.

On 31 March 1999, the company transferred its marketing and distribution business to a fellow subsidiary of the then ultimate parent company, Blagden plc, for a total consideration of £15,300,000. The profit on disposal of these operations amounted to £4,639,000.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' emoluments		
Emoluments (excluding pension contributions)	-	238,160
Aggregate value of company contributions paid to a defined contribution scheme on behalf of directors	-	9,132

Directors' emoluments have been paid by Borden Chemical UK Limited. It is not possible to allocate the proportion of their remuneration which relates to this company.

	2000 No.	1999 No.
Number of directors who:		
Are members of a defined contribution scheme	-	1
Average number of employees during the period	154	209

	2000 £'000	1999 £'000
Staff costs during the period (including directors)		
Wages and salaries	4,007	5,868
Social Security costs	381	566
Pension costs	233	584
	4,621	7,018

6. INTEREST PAYABLE

	2000 £'000	1999 £'000
Interest payable on intercompany loans	3,482	183

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

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

	2000 £'000	1999 £'000
Corporation tax at 30%(1999 – 31%)	250	206
Double taxation relief	(250)	(206)
Overseas taxation	250	206
Deferred taxation	(1,067)	(350)
	<u>(817)</u>	<u>(144)</u>
Adjustment in respect of prior years	(127)	4,066
	<u>(944)</u>	<u>3,922</u>

Following the change in ownership of the company, the Directors reassessed the capital expenditure requirements of the company. They concluded that the prior practice of non-provision of deferred tax could not be justified and accordingly a full provision was made in 1999.

The tax credit for the year is disproportionate due to the expenditure not allowable for taxation.

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and Equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2000	5,280	46,590	-	51,870
Exchange movements	-	1,048	-	1,048
Additions	-	207	11,108	11,315
Disposals	-	(2,689)	-	(2,689)
	<u>5,280</u>	<u>45,156</u>	<u>11,108</u>	<u>61,544</u>
At 31 December 2000	5,280	45,156	11,108	61,544
Depreciation				
At 1 January 2000	4,384	16,926	-	21,310
Exchange movements	-	867	-	867
Charge for the year	61	2,363	-	2,424
	<u>4,445</u>	<u>20,156</u>	<u>-</u>	<u>24,601</u>
At 31 December 2000	4,445	20,156	-	24,601
Net amounts				
At 31 December 2000	<u>835</u>	<u>25,000</u>	<u>11,108</u>	<u>36,943</u>
At 31 December 1999	<u>896</u>	<u>29,664</u>	<u>-</u>	<u>30,560</u>

Accumulated interest capitalised amounts to £1,232,000 (1999: £1,232,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

9. STOCKS

	2000	1999
	£'000	£'000
Raw materials and consumables	727	2,163
Work in progress	29	-
Finished goods and goods for resale	1,925	1,459
	<u>2,681</u>	<u>3,622</u>

10. DEBTORS

	2000	1999
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	7,320	6,028
Amounts owed by fellow subsidiary companies	414	-
Prepayments and accrued income	501	2,310
Other debtors	-	640
	<u>8,235</u>	<u>8,978</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
Trade creditors	4,795	4,705
Amounts owed to fellow subsidiary companies	9,476	930
Corporation tax	377	249
Other taxation and social security costs	506	648
Accruals and deferred income	2,405	4,212
Other creditors	-	119
	<u>17,559</u>	<u>10,863</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2000	1999
	£'000	£'000
Amounts owed to immediate holding company	<u>30,562</u>	<u>30,476</u>

The secured loan is a fixed and floating charge over the company's assets and is wholly repayable within five years.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £'000	Reorganisation Provision £'000	Total £'000
Balance brought forward	2,984	2,600	5,584
Profit and loss account	(1,067)	-	(1,067)
Adjustments in respect of prior year	(294)	-	(294)
Utilised in the year	-	(98)	(98)
	<u>1,623</u>	<u>2,502</u>	<u>4,125</u>
Balance carried forward			

The reorganisation provision reflects the estimated demolition and environmental costs of exiting from the Havertill site.

The amounts of deferred taxation provided and not provided in the accounts are as follows:

	Provided 2000 £'000	Provided 1999 £'000	Not provided 2000 £'000	Not provided 1999 £'000
Deferred taxation				
Accelerated capital allowances	1,663	3,024	-	-
Other timing differences	(40)	(40)	(480)	(480)
	<u>1,623</u>	<u>2,984</u>	<u>(480)</u>	<u>(480)</u>

14. SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised, issued and fully paid 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

15. RESERVES

	Share premium Account £'000	Profit and loss account £'000	Total £'000
At 1 January 2000	128	(1,523)	(1,395)
Currency translation differences	-	101	101
Retained loss for the financial year	-	(2,367)	(2,367)
	<u>128</u>	<u>(3,789)</u>	<u>(3,661)</u>
At 31 December 2000			

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Loss for the financial year	(2,367)	(1,970)
	(2,367)	(1,970)
Other recognised gains and losses	101	42
Opening shareholders' funds	(1,394)	534
Closing shareholders' funds	(3,660)	(1,394)

17. OPERATING LEASE COMMITMENTS

At the 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Plant and equipment	
	2000	1999	2000	1999
	£	£	£	£
Within one year	-	100	58	646
Between one and five years	91	55	498	700
After five years	44	15	-	450
	135	170	556	1,796

18. RELATED PARTY DISCLOSURES

The company claims exemption from disclosing transactions with members of the group headed by Borden Inc in accordance with the exemptions contained in paragraph 3(c) of FRS 8 as it is a 100% subsidiary of that group whose accounts are publicly available.

19. ULTIMATE HOLDING COMPANY

The immediate parent company is Borden International Holdings Limited, incorporated in England and Wales, which heads the smallest group whose consolidated financial statements include those of the company. The largest group which consolidates the results of the company is that headed by Borden Inc. The consolidated financial statements of Borden Inc. are available from 180 East Broad Street, Columbus, Ohio 43215. No other company produces consolidated financial statements. The ultimate controlling entity is considered by the directors to be Kohlberg, Kravis Roberts & Co.

20. CASH FLOW STATEMENT

The company has adopted FRS 1 and consequently claims exemption from preparation of a cash flow statement in accordance with the provisions of that standard. The company's cash flows are included within the group financial statements of Borden Inc.