

Paulstra Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 1146549



Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities and business review

The principal activity of the company continues to be the sale of rubber-to-metal bonded components for the automotive and general engineering industries.

The directors expect the general level of activity to continue in the forthcoming year.

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 5 to 15. The profit for the year after taxation was £403,422 (2000 - £206,396).

The directors do not recommend the payment of a dividend (2000 - £Nil).

Directors and their interests

The directors who served during the year were as follows:

R W Fairclough

G Gehin (French)

Neither of the directors has any interest requiring disclosure under Schedule 7 of the Companies Act 1985.

Swift Park
Rugby
CV21 1DZ

By order of the Board



R W Fairclough

Director

28 June 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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; 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 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.

To the shareholders of Paulstra Limited

We have audited the financial statements of Paulstra Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet and the related notes numbered 1 to 16. These financial statements have been prepared under accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

28 June 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1	15,211,568	14,233,264
Cost of sales		<u>(12,965,638)</u>	<u>(12,274,737)</u>
Gross profit		2,245,930	1,958,527
Distribution costs		(113,248)	(85,932)
Administrative expenses		(1,688,262)	(1,571,556)
Other operating income		<u>52,908</u>	<u>64,545</u>
Operating profit		497,328	365,584
Finance charges (net)	3	<u>(31,540)</u>	<u>(53,248)</u>
Profit on ordinary activities before taxation	4	465,788	312,336
Tax on profit on ordinary activities	5	<u>(62,366)</u>	<u>(105,940)</u>
Retained profit for the year		403,422	206,396
Retained profit brought forward		<u>1,188,528</u>	<u>982,132</u>
Retained profit carried forward		<u>1,591,950</u>	<u>1,188,528</u>

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the profit for that year.

Balance sheet
31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	6	<u>1,901,465</u>	<u>2,100,601</u>
Current assets			
Stocks	7	1,414,369	1,698,021
Debtors	8	2,073,470	1,761,883
Cash at bank and in hand		<u>1,178,792</u>	<u>1,376,935</u>
		4,666,631	4,836,839
Creditors: Amounts falling due within one year	9	<u>(4,616,146)</u>	<u>(4,588,912)</u>
Net current assets		<u>50,485</u>	<u>247,927</u>
Total assets less current liabilities		1,951,950	2,348,528
Creditors: Amounts due after more than one year	10	<u>(350,000)</u>	<u>(1,150,000)</u>
Net assets		<u>1,601,950</u>	<u>1,198,528</u>
Capital and reserves			
Called-up share capital	12	10,000	10,000
Profit and loss account		<u>1,591,950</u>	<u>1,188,528</u>
Equity shareholders' funds	13	<u>1,601,950</u>	<u>1,198,528</u>

The financial statements on pages 5 to 15 were approved by the board of directors and signed on its behalf by:

R W Fairclough

Director



28 June 2002

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under the provisions of FRS 1 (Revised), the company has not prepared a cash flow statement as the ultimate parent undertaking, Total Fina Elf S.A., prepares consolidated financial statements which are publicly available and include the results of the company.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on all fixed assets to write off the cost, less estimated residual value, of tangible fixed assets on a straight-line basis over their estimated useful lives as follows:

Leasehold property improvements	10 years
Plant and equipment	8 years
Fixtures and fittings	3 - 5 years
Motor vehicles	5 years

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in, first out basis. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The company is part of a UK group and accordingly may take advantage of the group relief provisions whereby current tax profits can be offset by current taxable losses arising in other companies within the group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated using the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Statement of accounting policies (continued)

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of sales related taxes.

Pension costs

The company operates both defined contribution pension and defined benefit schemes.

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange difference are included in the profit and loss account.

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term, even if payments are not made on such a basis.

Notes to the financial statements (continued)

1 Segment information

Turnover by geographical destination was as follows:

	2001 £	2000 £
United Kingdom	14,537,564	13,805,990
Rest of the world	674,004	427,274
	<u>15,211,568</u>	<u>14,233,264</u>

2 Staff costs

The average monthly number of employees (including executive directors) was:

	2001 Number	2000 Number
Sales and administration	12	9
Production	54	61
	<u>66</u>	<u>70</u>

Their aggregate remuneration comprised:

	2001 £	2000 £
Wages and salaries	1,085,927	983,615
Social security costs	101,520	81,515
Other pension costs	45,177	38,048
	<u>1,232,624</u>	<u>1,103,178</u>

3 Finance charges (net)

Investment income

	2001 £	2000 £
Interest receivable and similar income	<u>26,611</u>	<u>36,298</u>

Interest payable and similar charges

	2001 £	2000 £
Interest payable to fellow group companies	<u>58,151</u>	<u>89,546</u>

Notes to the financial statements (continued)

3 Finance charges (net) (continued)

Finance charges

	2001 £	2000 £
Interest payable and similar charges	58,151	89,546
Less: Investment income	(26,611)	(36,298)
	<u>31,540</u>	<u>53,248</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation and amounts written off tangible fixed assets (owned)	532,243	510,718
Operating lease rentals - land and buildings	180,000	196,304
Operating lease rentals - other	37,899	37,670
Auditors' remuneration for audit services	<u>17,000</u>	<u>18,000</u>

5 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £	2000 £
UK corporation tax at 30% (2000: 30%)	168,508	105,940
Adjustments in respect of prior years:		
- UK corporation tax	<u>(106,142)</u>	<u>-</u>
	<u>62,366</u>	<u>105,940</u>

Notes to the financial statements (continued)

6 Tangible fixed assets

	Leasehold property improve- ments £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2001	46,859	3,928,538	156,692	460	4,132,549
Additions	980	326,200	5,927	-	333,107
At 31 December 2001	<u>47,839</u>	<u>4,254,738</u>	<u>162,619</u>	<u>460</u>	<u>4,464,656</u>
Depreciation					
At 1 January 2001	26,105	1,879,596	125,787	460	2,031,948
Charge	4,695	509,935	17,613	-	532,243
At 31 December 2001	<u>30,800</u>	<u>2,389,531</u>	<u>143,400</u>	<u>460</u>	<u>2,564,191</u>
Net book value					
At 31 December 2000	<u>20,754</u>	<u>2,048,942</u>	<u>30,905</u>	<u>-</u>	<u>2,100,601</u>
At 31 December 2001	<u>17,039</u>	<u>1,865,207</u>	<u>19,219</u>	<u>-</u>	<u>1,901,465</u>

7 Stocks

	2001 £	2000 £
Finished goods and goods for resale	928,595	1,282,234
Raw materials	318,710	319,941
Work-in-progress	167,064	95,846
	<u>1,414,369</u>	<u>1,698,021</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the financial statements (continued)

8 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	1,916,729	1,240,859
Amounts owed by group undertakings	9,210	45,228
Overseas VAT	83,245	384,511
Other debtors	-	15,162
Prepayments and accrued income	64,286	76,123
	<u>2,073,470</u>	<u>1,761,883</u>

9 Creditors: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	556,736	787,084
Amounts owed to group undertakings	2,161,095	3,041,496
UK corporation tax	88,441	49,940
Taxation and social security	480,641	655,351
Accruals and deferred income	1,329,233	55,101
	<u>4,616,146</u>	<u>4,588,912</u>

At 31 December 2001, the company owed £350,000 (2000 - £1,150,000) to Total Fina Elf Finance Limited. The loan is unsecured and bears interest at LIBOR plus a margin of 0.275 basis points per annum. At 31 December 2001 this loan has been reclassified to creditors falling due after more than one year under the terms of availability of the facility to the company.

10 Creditors: Amounts falling due after more than one year

	2001 £	2000 £
Amounts owed to group undertakings	<u>350,000</u>	<u>1,150,000</u>

Notes to the financial statements (continued)

11 Provisions for liabilities and charges

Amounts provided in respect of liability for deferred taxation were £Nil (2000 - £Nil).

Amounts not provided in respect of liability for deferred taxation are as follows:

	Deferred taxation	
	2001	2000
	£	£
Accelerated capital allowances	135,846	155,248
Other timing differences	(36,820)	(25,779)
	<u>99,026</u>	<u>129,468</u>

12 Called-up share capital

	2001	2000
	£	£
<i>Authorised:</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called-up and fully-paid:</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

13 Reconciliation of movement in shareholders' funds

	2001	2000
	£	£
Net addition to shareholders' funds	403,422	206,396
Opening shareholders' funds	<u>1,198,528</u>	<u>992,132</u>
Closing shareholders' funds	<u>1,601,950</u>	<u>1,198,528</u>

Notes to the financial statements (continued)

14 Financial commitments

a) Capital commitments are as follows:

	2001 £	2000 £
Contracted for but not provided for	<u>43,000</u>	<u>78,000</u>

b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	-	-	3,156
- between two to five years	<u>180,000</u>	<u>41,623</u>	<u>180,000</u>	<u>36,202</u>
	<u>180,000</u>	<u>41,623</u>	<u>180,000</u>	<u>39,358</u>

15 Pension arrangements

The company contributes to certain defined contribution pension schemes on behalf of certain of its employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge in the year was £359 (2000 - £862).

The company is a participating employer in a final pay defined benefit pension scheme for eligible employees called the Hutchinson (U.K.) Limited 1978 Retirement Benefits Scheme. The assets of the scheme are held in separate funds administered by trustees. The pension cost charge in the year was £44,818 (2000 - £37,186). The pension creditor at 31 December 2001 was £3,482 (2000: £3,476)

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation of the scheme was carried out as at 31 March 2000 and used the projected unit method. The main actuarial assumptions used were that pensionable salaries would increase by 3.75% per annum, pensions in payment by 3% per annum and that the return on investments would be 7% per annum.

At the date of the last actuarial valuation, the market value of the assets was £11,737,000 and the actuarial value of the assets was sufficient to cover 108% of the benefits that had accrued to members after allowing for future increases in earnings.

Notes to the financial statements (continued)

15 Pension arrangements (continued)

FRS17 transitional disclosures

The individual pension schemes within the Total Fina Elf Holdings UK Limited group are in the process of being amalgamated into one group scheme. This includes the pension scheme of the company. The trustees' of the individual schemes have approved the amalgamation, which is expected to be finalised in July 2002. As a result, the FRS 17 transitional disclosures have been prepared on the basis that the existing schemes with the Total Final Elf Holdings UK Limited group have been amalgamated.

In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because, once the amalgamation of schemes is complete, it will not be possible to identify the company's share of the assets and liabilities in the Total Final Elf Holdings UK Limited group scheme on a consistent and reasonable basis. Further details of the latest actuarial valuation of the group scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17, can be found in the consolidated financial statements of Total Fina Elf Holdings UK Limited.

16 Ultimate controlling party

The company's immediate parent undertaking is Hutchinson Holdings UK Limited, a company registered in England and Wales.

The smallest group into which the results of Paulstra Limited are consolidated is that headed by Total Oil Holdings Limited, a company registered in England and Wales. The consolidated financial statements of the group are available to the public from 33 Cavendish Square, London W1M 0HX.

The largest group into which the results of Paulstra Limited are consolidated is that headed by Total Fina Elf S.A., the ultimate parent undertaking, incorporated in France. The consolidated financial statements of the group are available to the public from 24 Cours Mitchelet, 92800 Puteaux, RCS Nanterre B542, 051, 180, France.

As a subsidiary undertaking of Total Fina Elf S.A., the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transaction with other members of the group headed by Total Fina Elf S.A.