

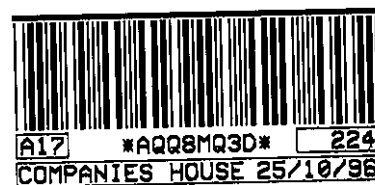
2343599

REPORT AND ACCOUNTS

Zeon Chemicals Europe Limited

31 DECEMBER 1995

FINANCIAL RECORDS



# Zeon Chemicals Europe Limited

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Registered No. 02343599

## **DIRECTOR**

M Tomita (Managing Director)

## **SECRETARY**

K S Gallon

## **AUDITORS**

Ernst & Young  
Southgate House  
Wood Street  
Cardiff

## **BANKERS**

Midland Bank plc  
33 Holton Road  
Barry  
South Glamorgan

The Dai-Ichi Kangyo Bank Ltd  
DKB House  
24 King Williams Street  
London

The Bank of Tokyo Limited  
Finsbury Circus House  
12-15 Finsbury Circus  
London

## **SOLICITORS**

Lane & Partners  
46/47 Bloomsbury Square  
London

## **REGISTERED OFFICE**

46/47 Bloomsbury Square  
London

# Zeon Chemicals Europe Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

### RESULTS AND DIVIDENDS

The trading profit for the year after taxation amounted to £1,742,000 (1994: loss £1,673,000).

The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITIES

The principal activities during the year continued to be the manufacture and sale of synthetic rubber.

### REVIEW OF BUSINESS

The company has continued to expand the core activities of the business. This has resulted in a increase in sales to £22,996,000 (1994: £17,847,000). The directors are encouraged by this increased level of sales achieved.

### FUTURE DEVELOPMENTS

The directors intend to continue to develop the product and market range of the business.

### FIXED ASSETS

The changes in fixed assets during the year are summarised in notes 9, 10 and 11 to the accounts.

### DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1995 were as follows:

	<i>At 31 December 1995</i>	<i>At 31 December 1994</i>
	<i>ordinary shares</i>	<i>ordinary shares</i>
Mr H Osato (resigned 30 June 1995)	-	-
Mr M Tomita (appointed 30 June 1995)	-	-


Neither of the directors had any interests in the share capital of the company at 31 December 1995.

In addition, Mr N Hada was appointed as alternative director acting for Mr M Tomita on 26 April 1996.

### AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

  
Secretary  
26/4/96

STATEMENT OF DIRECTORS' RESPONSIBILITIES  
in respect of the accounts

Company law requires the directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies Act. 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.

**REPORT OF THE AUDITORS**  
to the members of Zeon Chemicals Europe Limited

We have audited the accounts on pages 6 to 17 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

*Respective responsibilities of directors and auditors*

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts, and to report our opinion to you.

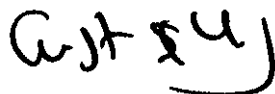
*Basis of opinion*

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

*Opinion*

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Cardiff

26 April 1996

# Zeon Chemicals Europe Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1995

	Notes	1995 £000	1994 £000
<b>TURNOVER</b>	2	22,996	17,847
Cost of sales		17,971	15,154
		<u>5,025</u>	<u>2,693</u>
Distribution costs		859	973
Administration expenses		2,091	1,862
		<u>2,950</u>	<u>2,835</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	<u>2,075</u>	<u>(142)</u>
Interest receivable	5	179	62
Interest payable	6	445	605
		<u>(266)</u>	<u>(543)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE FOREIGN EXCHANGE LOSS</b>		<u>1,809</u>	<u>(685)</u>
Foreign exchange loss	7	67	988
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,742</u>	<u>(1,673)</u>
Tax on profit/(loss) on ordinary activities	8	-	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><u>1,742</u></u>	<u><u>(1,673)</u></u>

### STATEMENT OF MOVEMENTS ON RESERVES

	<i>Profit and loss account £000</i>
At 1 January 1995	(14,305)
Profit for year	<u>1,742</u>
At 31 December 1995	<u><u>(12,563)</u></u>

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £1,742,000 in the year ended 31 December 1995 and £1,673,000 loss in the year ended 31 December 1994.

# Zeon Chemicals Europe Limited

## BALANCE SHEET

at 31 December 1995

	Notes	1995 £000	1994 £000
<b>FIXED ASSETS</b>			
Intangible assets	9	-	71
Tangible assets	10	8,788	9,134
Investments	11	357	357
		<u>9,145</u>	<u>9,562</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,123	3,142
Debtors	13	3,937	3,868
Cash at bank and in hand	14	3,787	2,331
		<u>11,847</u>	<u>9,341</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>2,054</u>	<u>1,774</u>
<b>NET CURRENT ASSETS</b>		<u>9,793</u>	<u>7,567</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,938</u>	<u>17,129</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	16	<u>8,201</u>	<u>18,134</u>
		<u>10,737</u>	<u>(1,005)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	23,300	13,300
Profit and loss account		(12,563)	(14,305)
 <u>N. Hada</u> Director		<u>10,737</u>	<u>(1,005)</u>
<u>26/4/96</u>		<u></u>	<u></u>

# Zeon Chemicals Europe Limited

## STATEMENT OF CASHFLOWS for the year ended 31 December 1995

		1995 £000	1994 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	3(b)	<u>2,295</u>	<u>190</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		179	62
Interest paid		<u>(445)</u>	<u>(605)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(266)</u>	<u>(543)</u>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(605)	(955)
Receipts from sales of tangible fixed assets		<u>32</u>	<u>10</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<u>(573)</u>	<u>(945)</u>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		<u>1,456</u>	<u>(1,298)</u>
<b>FINANCING</b>			
Issue of ordinary share capital	21	-	(2,150)
<b>NET CASH OUTFLOW FROM FINANCING</b>		-	<u>(2,150)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	14	<u>1,456</u>	<u>852</u>
		<u>1,456</u>	<u>(1,298)</u>



NOTES TO THE ACCOUNTS

at 31 December 1995

1 ACCOUNTING POLICIES

*Accounting convention*

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

*Goodwill*

Goodwill is the difference between the amount paid on the acquisition of the business and the aggregate fair value of its separable net assets. It is being written off in equal instalments over the directors estimate of its useful economic life of 20 years.

*Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land and capital work in progress. Depreciation rates are calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	over 50 years
Leasehold land and buildings	over the lease term
Plant and machinery	over 5 to 20 years

*Stocks and work in progress*

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its location and condition:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

*Research and development*

Research and development expenditure is written off as incurred.

*Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

*Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 1 ACCOUNTING POLICIES (continued)

#### *Pensions*

Zeon Chemicals Europe Limited operates a defined benefit pension scheme. Contributions are made by the company to a separately administered fund. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees.

#### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### 2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company stated net of value added tax, and is attributable to one continuing activity.

The geographical split of turnover can be analysed as follows:

	1995 £000	1994 £000
United Kingdom	14,025	10,315
European Countries	8,386	7,178
Rest of the World	585	354
	<u>22,996</u>	<u>17,847</u>

### 3 OPERATING PROFIT/(LOSS)

#### a) This is stated after charging:

	1995 £000	1994 £000
Auditors' remuneration - audit services	23	20
Auditors' remuneration - non audit services	32	33
Depreciation of owned assets	916	795
Amortisation of goodwill	5	5
Plant hire	52	41
Additional write off of goodwill	66	-
	<u>          </u>	<u>          </u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 3 OPERATING PROFIT/(LOSS) (continued)

#### b) Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	1995 £000	1994 £000
Operating profit/(loss)	2,075	(142)
Depreciation	916	795
Amortisation of goodwill	71	5
Loss on disposal of tangible fixed assets	3	3
Increase in debtors	(1,595)	(729)
(Increase)/Decrease in stocks	(981)	486
Increase/(Decrease) in creditors	1,806	(228)
Net cash inflow/(outflow) from operating activities	<u>2,295</u>	<u>190</u>
c) Directors' remuneration		
Other emoluments	<u>97</u>	<u>106</u>

The emoluments of the highest paid director were £97,000 (1994: £106,000). No remuneration was received by the other director (1994: £nil).

### 4 STAFF COSTS

	1995 £000	1994 £000
Wages and salaries	2,426	2,785
Social security costs	170	167
Other pension costs	195	227
	<u>2,791</u>	<u>3,179</u>

The average weekly number of employees during the year was made up as follows:

	1995 No	1994 No
Office management	16	16
Production	49	48
Research and development	15	14
	<u>80</u>	<u>78</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 5 INTEREST RECEIVABLE

	1995 £000	1994 £000
Bank interest receivable	179	62

### 6 INTEREST PAYABLE

	1995 £000	1994 £000
Amounts payable to parent undertakings: Other loans not wholly repayable within five years	445	605

### 7 FOREIGN EXCHANGE LOSS

	1995 £000	1994 £000
Unrealised exchange loss on loan	67	988

### 8 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no requirement to provide for corporation tax, current or deferred, due to the availability of taxation losses. Deferred taxation is dealt with in note 17.

### 9 INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost:	
At 1 January 1995 and 31 December 1995	100
Amortisation:	
At 1 January 1995	29
Provided during the year	5
Additional amortisation provided during the year	66
At 31 December 1995	-
Net book value:	
At 31 December 1995	-
At 1 January 1995	71

During the year the directors reviewed the goodwill balance. The impact on this review was to write off the net book value of goodwill of £66,000 as the directors do not consider it appropriate to maintain goodwill within the accounts.

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1995

### 10 TANGIBLE FIXED ASSETS

	<i>Land &amp; buildings freehold £000</i>	<i>Short leasehold £000</i>	<i>Plant &amp; machinery £000</i>	<i>Capital work in progress £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 January 1995	594	1,260	10,436	359	12,649
Additions	-	-	5	600	605
Disposals	-	-	(70)	-	(70)
Transfers	-	44	532	(576)	-
At 31 December 1995	<u>594</u>	<u>1,304</u>	<u>10,903</u>	<u>383</u>	<u>13,184</u>
Depreciation:					
At 1 January 1995	37	199	3,279	-	3,515
Provided during year	9	55	852	-	916
Disposals	-	-	(35)	-	(35)
At 31 December 1995	<u>46</u>	<u>254</u>	<u>4,096</u>	<u>-</u>	<u>4,396</u>
Net book value:					
At 31 December 1995	<u>548</u>	<u>1,050</u>	<u>6,807</u>	<u>383</u>	<u>8,788</u>
At 1 January 1995	<u>557</u>	<u>1,061</u>	<u>7,157</u>	<u>359</u>	<u>9,134</u>

### 11 INVESTMENTS

	<i>1995 £000</i>	<i>1994 £000</i>
Fixed asset investments	<u>357</u>	<u>357</u>

Included in fixed asset investments is £330,000 relating to an 18.5% holding in Zeon Europe GmbH's issued ordinary share capital.

### 12 STOCKS

	<i>1995 £000</i>	<i>1994 £000</i>
Raw materials	784	779
Work in progress	99	96
Finished goods	3,240	2,267
	<u>4,123</u>	<u>3,142</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1995

### 13 DEBTORS

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	3,714	2,707
Amounts owed by related company	-	947
Other debtors	162	142
Prepayments and accrued income	61	72
	<u>3,937</u>	<u>3,868</u>

### 14 CASH AND CASH EQUIVALENTS

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 January	2,331	1,479
Net cash inflow	1,456	852
At 31 December	<u>3,787</u>	<u>2,331</u>

### 15 CREDITORS: amounts falling due within one year

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	85	87
Amounts owed to parent undertaking	411	406
Amounts owed to related company	135	-
Other taxes and social security costs	12	10
Other creditors	327	230
Accruals	1,084	1,041
	<u>2,054</u>	<u>1,774</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1995

### 16 LOANS

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Wholly repayable between two and five years	-	16,212
Not wholly repayable within five years:		
3% (variable) repayable on 29 March 2000	-	897
3.75% (variable) repayable on 29 March 2000	-	448
4% (variable) repayable on 29 March 2000	-	577
3% (variable) repayable on 29 March 2003	8,201	-
	<u>8,201</u>	<u>18,134</u>

The loans are all denominated in Japanese Yen.

Analysis of changes in loan financing during the current and previous years

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 January	18,134	17,146
Converted into share capital	(10,000)	-
Effect of foreign exchange rate changes	67	988
At 31 December	<u>8,201</u>	<u>18,134</u>

### 17 DEFERRED TAX

No provision has been made in the accounts for deferred taxation as no liability is expected to crystallise in the near future. The maximum potential liability is as follows:

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	1,583	1,581
Other timing differences	(134)	(135)
Less: losses carried forward (restricted)	(1,449)	(1,446)
	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS  
at 31 December 1995

**18 PENSION COMMITMENTS**

The company operates a defined benefit pension scheme which is funded by the payment of contributions to a separately administered trust fund.

The pension cost of the scheme is determined with the advice of a qualified actuary on the basis of triennial valuations. The most recent valuation was carried out as at 1 April 1993 using the Projected Unit method, together with the following main assumptions:

Rate of interest	9% per annum
Salary increase	7% per annum
Increases to pension in payment	4½% per annum
Dividend growth rate	4½% per annum

The valuation showed that the market value of the scheme's assets at 1 April 1993 amounted to £5,178,573 and the actuarial value of the assets was sufficient to cover 106% of the benefits that accrued to members, after allowing for the effect of future increases in their earnings. The surplus has been spread forward over the expected service lives of the scheme membership as a variation. The pension expense for the year ending 31 December 1995 was £195,000 (1994: £227,000).

Company contributions of £178,000 (1994:£138,000) were paid during the year. The provision for pension costs at the end of the year was £106,000 (1994:£123,000).

**19 CAPITAL COMMITMENTS**

The company had authorised capital commitments but had not contracted for £670,142 and authorised and contracted for capital commitments but not provided for in the accounts of £71,742 at 31 December 1995.

There were no capital commitments either authorised and contracted for but not provided in the accounts or authorised but not contracted for 31 December 1994.

**20 OBLIGATIONS UNDER LEASES**

The company leases a number of assets under operating leases. The minimum annual rentals payable under these leases are as follows:

	1995 £000	1994 £000
Operating leases which expire:		
Within one year	7	-
In two to five years	29	-
	<u>36</u>	<u>-</u>



# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1995

### 21 SHARE CAPITAL

		<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	<i>1995</i>	<i>1994</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
			<i>1994</i>
			<i>£000</i>
Ordinary shares of £1 each	23,300	13,300	23,300
	<u>23,300</u>	<u>13,300</u>	<u>23,300</u>

On 31 August 1995 £10,000,000 of loan finance was converted into 10,000,000 £1 ordinary shares.

These were issued to enable the company to continue to develop in accordance with its medium term objectives.

Analysis of changes in share capital during the current and previous year:

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 January	13,300	11,150
Net cash inflow from financing	-	2,150
Conversion of loan into share capital	10,000	-
At 31 December	<u>23,300</u>	<u>13,300</u>

### 22 RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 January	(1,005)	(1,482)
Profit/(Loss) for the financial year	1,741	(1,673)
New share capital subscribed	-	2,150
Conversion of loan into share capital	10,000	-
At 31 December	<u>10,736</u>	<u>(1,005)</u>

### 23 ULTIMATE PARENT UNDERTAKING

The directors regard Nippon Zeon Co Limited, a company incorporated in Japan, as being the ultimate parent undertaking.