

2343599

# **Zeon Chemicals Europe Limited**

Report and Accounts

31 DECEMBER 1996

 **ERNST & YOUNG**



# Zeon Chemicals Europe Limited

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Registered No. 02343599

## **DIRECTORS**

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 1996.

### RESULTS AND DIVIDENDS

The trading profit for the year after taxation amounted to £4,624,000 (1995: £1,742,000).

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 an increase in sales to £26,652,000 (1995: £22,996,000). 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 and 10 to the accounts.

### DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1996 were as follows:

	<i>At 31 December 1996 ordinary shares</i>	<i>At 31 December 1995 ordinary shares</i>
Mr M Tomita	-	-

Mr N Hada was appointed as alternate director on 26 April 1996.

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

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; and
- 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 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.

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

We have audited the accounts on pages 6 to 16 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.

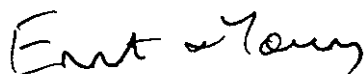
**Basis of opinion**

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 affairs of the company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young'.

Ernst & Young  
Chartered Accountants  
Registered Auditor  
Cardiff

24 Nov 1997

# Zeon Chemicals Europe Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
TURNOVER	2	26,652	22,996
Cost of sales		19,788	17,971
		<u>6,864</u>	<u>5,025</u>
Distribution costs		880	859
Administration expenses		2,744	2,091
		<u>3,624</u>	<u>2,950</u>
OPERATING PROFIT	3a)	<u>3,240</u>	<u>2,075</u>
Interest receivable	5	226	179
Interest payable	6	126	445
		<u>100</u>	<u>(266)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE FOREIGN EXCHANGE GAIN/(LOSS)		<u>3,340</u>	<u>1,809</u>
Foreign exchange gain/(loss)	7	1,404	(67)
		<u>4,744</u>	<u>1,742</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>4,744</u>	<u>1,742</u>
Tax on profit on ordinary activities	8	120	-
		<u>4,624</u>	<u>1,742</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>4,624</u></u>	<u><u>1,742</u></u>

### STATEMENT OF MOVEMENTS ON RESERVES

	<i>Profit and loss account £000</i>
At 1 January 1996	(12,563)
Profit for year	<u>4,624</u>
At 31 December 1996	<u><u>(7,939)</u></u>

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £4,624,000 in the year ended 31 December 1996 and £1,742,000 profit in the year ended 31 December 1995.

# Zeon Chemicals Europe Limited

## BALANCE SHEET

at 31 December 1996

	Notes	1996 £000	1995 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	9,655	8,788
Investments	10	357	357
		<u>10,012</u>	<u>9,145</u>
<b>CURRENT ASSETS</b>			
Stocks	11	4,791	4,123
Debtors	12	4,501	3,937
Cash at bank and in hand	13	3,373	3,787
		<u>12,665</u>	<u>11,847</u>
<b>CREDITORS: amounts falling due within one year</b>	14	2,322	2,054
		<u>10,343</u>	<u>9,793</u>
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,355</u>	<u>18,938</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	15	4,994	8,201
		<u>15,361</u>	<u>10,737</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	23,300	23,300
Profit and loss account		(7,939)	(12,563)
	21	<u>15,361</u>	<u>10,737</u>

N. Hadač

Director

24th April '97

Date

# Zeon Chemicals Europe Limited

## STATEMENT OF CASHFLOWS for the year ended 31 December 1996

	Notes	1996 £000	1995 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	3,150	2,295
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		226	179
Interest paid		(126)	(445)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		100	(266)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(1,861)	(605)
Receipts from sales of tangible fixed assets		-	32
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,861)	(573)
NET CASH INFLOW BEFORE FINANCING		1,389	1,456
Repayment of loan	15	1,803	-
NET CASH OUTFLOW FROM FINANCING		1,803	-
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	13	(414)	1,456
		1,389	1,456



NOTES TO THE ACCOUNTS

at 31 December 1996

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.

*Pensions*

Zeon Chemicals Europe Limited operates a defined benefit pension scheme. Contributions are made by the company and the employees 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.

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 1 ACCOUNTING POLICIES (continued)

#### *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:

	1996 £000	1995 £000
United Kingdom	16,582	14,025
Other European Countries	8,447	8,386
Rest of the World	1,623	585
	<u>26,652</u>	<u>22,996</u>

### 3 OPERATING PROFIT

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

	1996 £000	1995 £000
Auditors' remuneration - audit services	23	23
Auditors' remuneration - non audit services	12	32
Depreciation of owned assets	994	916
Amortisation of goodwill	-	5
Plant hire	47	52
Additional write off of goodwill	-	66
	<u></u>	<u></u>

#### b) Reconciliation of operating profit to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	3,240	2,075
Depreciation	994	916
Amortisation of goodwill	-	71
Loss on disposal of tangible fixed assets	-	3
(Increase) in debtors	(564)	(1,595)
(Increase) in stocks	(668)	(981)
Increase in creditors	148	1,806
	<u></u>	<u></u>
Net cash inflow from operating activities	<u>3,150</u>	<u>2,295</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 3 OPERATING PROFIT (continued)

#### c) Directors' remuneration

	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Other emoluments	-	97

The emoluments of the highest paid director were £nil (1995: £97,000).

### 4 STAFF COSTS

	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Wages and salaries	2,639	2,426
Social security costs	189	170
Other pension costs	208	195
	<u>3,036</u>	<u>2,791</u>

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

	<i>1996</i> <i>No</i>	<i>1995</i> <i>No</i>
Office management	17	16
Production	50	49
Research and development	17	15
	<u>84</u>	<u>80</u>

### 5 INTEREST RECEIVABLE

	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Bank interest receivable	226	179

### 6 INTEREST PAYABLE

	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Amounts payable to parent undertakings: Other loans wholly repayable within five years	126	445

### 7 FOREIGN EXCHANGE GAIN/(LOSS)

	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Unrealised exchange gain/(loss) on loan	1,404	(67)

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

	1996 £000	1995 £000
UK corporation tax at 33%	120	-

### 9 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 1996	594	1,304	10,903	383	13,184
Additions	-	-	-	1,861	1,861
Transfers	-	144	1,764	(1,908)	-
At 31 December 1996	594	1,448	12,667	336	15,045
Depreciation:					
At 1 January 1996	46	254	4,096	-	4,396
Provided during year	8	61	925	-	994
At 31 December 1996	54	315	5,021	-	5,390
Net book value:					
At 31 December 1996	540	1,133	7,646	336	9,655
At 1 January 1996	548	1,050	6,807	383	8,788

### 10 INVESTMENTS

	1996 £000	1995 £000
Fixed asset investments	357	357

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

### 11 STOCKS

	1996 £000	1995 £000
Raw materials	713	784
Work in progress	93	99
Finished goods	3,985	3,240
	4,791	4,123

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 12 DEBTORS

	1996 £000	1995 £000
Trade debtors	4,080	3,714
Amounts owed by subsidiary company	112	-
Other debtors	229	162
Prepayments and accrued income	80	61
	<u>4,501</u>	<u>3,937</u>

### 13 CASH AND CASH EQUIVALENTS

	1996 £000	1995 £000
At 1 January	3,787	2,331
Net cash (outflow)/inflow	(414)	1,456
	<u>3,373</u>	<u>3,787</u>

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

	1996 £000	1995 £000
Trade creditors	60	85
Amounts owed to parent undertaking	333	411
Amounts owed to related company	-	135
Other taxes and social security costs	36	12
Other creditors	684	327
Accruals	1,089	1,084
Corporation tax payable	120	-
	<u>2,322</u>	<u>2,054</u>

### 15 LOANS

	1996 £000	1995 £000
Not wholly repayable within five years:		
1.625% repayable on 29 March 2003	4,994	-
3% (variable) repayable on 29 March 2003	-	8,201
	<u>4,994</u>	<u>8,201</u>

The loans are all denominated in Japanese Yen.

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 15 LOANS (continued)

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

	1996 £000	1995 £000
At 1 January	8,201	18,134
Repaid during the year	(1,803)	-
Converted into share capital	-	(10,000)
Effect of foreign exchange rate changes	(1,404)	67
At 31 December	4,994	8,201

### 16 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:

	1996 £000	1995 £000
Capital allowances in advance of depreciation	1,656	1,583
Other timing differences	(146)	(134)
Less: losses carried forward (restricted)	(1,510)	(1,449)
	-	-

### 17 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 31 December 1995 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 schemes assets at 31 December 1995 amounted to £7,304,000 and the actuarial value of the assets was sufficient to cover 105% 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 1996 was £229,000 (1995: £195,000).

Company contributions of £213,000 (1995: £178,000) were paid during the year. The provision for pension costs at the end of the year was £121,000 (1995: £106,000).

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 18 CAPITAL COMMITMENTS

The company had authorised capital commitments but had not contracted for of £226,485 (1995: £670,142) and authorised and contracted for capital commitments but not provided for in the accounts of £117,493 (1995: £71,742) at 31 December 1996.

### 19 OBLIGATIONS UNDER LEASES

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

	1996 £000	1995 £000
Operating leases which expire:		
Within one year	4	7
In two to five years	47	29
	<u>51</u>	<u>36</u>

### 20 SHARE CAPITAL

	1996 £000	Authorised 1995 £000	1996 £000	Allotted, called up and fully paid 1995 £000
Ordinary shares of £1 each	23,300	23,300	23,300	23,300

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

	1996 £000	1995 £000
At 1 January	23,300	13,300
Conversion of loan into share capital	-	10,000
	<u>23,300</u>	<u>23,300</u>

### 21 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
At 1 January	10,737	(1,005)
Profit for the financial year	4,624	1,742
Conversion of loan into share capital	-	10,000
At 31 December	<u>15,361</u>	<u>10,737</u>

# DRAFT

## Zeon Chemicals Europe Limited

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### NOTES TO THE ACCOUNTS

at 31 December 1996

#### 22 RELATED PARTY TRANSACTIONS

During the year the company transacted with related parties in pursuance of its normal trade activities. The parties to the transactions are under the common control of Nippon Zeon Co Limited. The nature of the transactions and the companies are noted below:

	£
<b>NIPPON ZEON CO LIMITED</b>	
Sale of goods	142,649
Sundry recharges	54,976
Purchase of goods	390,452

In addition Zeon Chemicals Europe Limited repaid £1,803,244 to Nippon Zeon Co Limited on a long term loan. Interest paid to Nippon Zeon in the year was £291,810.

	£
<b>ZEON EUROPE GMBH</b>	
Sale of goods	8,412,302
Technical fee receivable	97,039
Recharges of overheads to Zeon Europe	308,845
Purchase of goods	8,154,995
Other purchases	73,407

#### 23 ULTIMATE PARENT UNDERTAKING

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