


2343599

REPORT AND ACCOUNTS

Zeon Chemicals Europe Limited

31 DECEMBER 1993

 ERNST & YOUNG



# Zeon Chemicals Europe Limited

Registered No. 02343599

## DIRECTOR

K Toyama (Chairman)

H Osato (Managing Director)

## SECRETARY

K S Gallon

## AUDITORS

Ernst & Young  
Southgate House  
Wood Street  
Cardiff

## BANKERS

Midland Bank plc  
33 Holton Road  
Barry  
South Glamorgan

Lloyds Bank plc  
140B 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

ERNST & YOUNG

# Zeon Chemicals Europe Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1993.

### RESULTS AND DIVIDENDS

The trading loss for the year after taxation amounted to £4,095,000 (1992: £4,803,000).

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 £15,046,000 (1992: £13,398,000). The directors are encouraged by this increased level of sales achieved.

During the year the company has had a number of voluntary redundancies. This resulted in a redundancy cost charged in the year of approximately £430,000.

### 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

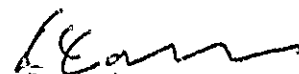
The directors at 31 December 1993 and their interests in the share capital of the company were as follows:

	<i>At 31 December 1993</i>	<i>At 31 December 1992</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
Mr K Toyama	1	1
Mr H Osata	-	-

### 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

20 April 1994

## Zeon Chemicals Europe Limited

### 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 1993 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Cost & Co*

Chartered Accountants  
Registered Auditor  
Cardiff

20 April 1994

# Zeon Chemicals Europe Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1993

	Notes	1993 £000	1992 £000
TURNOVER	2	15,046	13,398
Cost of sales		13,598	12,404
		<u>1,448</u>	<u>994</u>
Distribution costs		899	745
Administration expenses		1,970	1,888
		<u>2,869</u>	<u>2,633</u>
OPERATING LOSS	3	(1,421)	(1,639)
Interest receivable	5	49	86
Interest payable	6	735	757
		<u>(686)</u>	<u>(671)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE FOREIGN EXCHANGE LOSS		(2,107)	(2,310)
Foreign exchange loss	7	1,988	2,493
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,095)	(4,803)
Tax on loss on ordinary activities	8	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(4,095)</u>	<u>(4,803)</u>

### STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £000
At 1 January 1993	(8,537)
Loss for year	<u>(4,095)</u>
At 31 December 1993	<u>(12,632)</u>

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £4,095,000 in the year ended 31 December 1993 and £4,803,000 in the year ended 31 December 1992.

# Zeon Chemicals Europe Limited

## BALANCE SHEET

at 31 December 1993

	Notes	1993 £000	1992 £000
<b>FIXED ASSETS</b>			
Intangible assets	9	76	81
Tangible assets	10	8,987	8,553
Investments	11	357	357
		<u>9,420</u>	<u>8,991</u>
<b>CURRENT ASSETS</b>			
Stocks	12	3,628	3,617
Debtors	13	3,139	2,861
Cash at bank and in hand	14	1,479	1,140
		<u>8,246</u>	<u>7,618</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>2,002</u>	<u>2,156</u>
<b>NET CURRENT ASSETS</b>		<u>6,244</u>	<u>5,462</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,664</u>	<u>14,453</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	16	17,146	13,390
		<u>(1,482)</u>	<u>1,063</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	11,150	9,600
Profit and loss account		(12,632)	(8,537)

*[Signature]*  
 \_\_\_\_\_ ) Director  
 20 April 1994

(1,482)      1,063

## Zeon Chemicals Europe Limited

## STATEMENT OF CASHFLOWS

for the year ended 31 December 1993

		1993 £000	1992 £000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	3(b)	(1,125)	(1,280)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		49	86
Interest paid		(735)	(757)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(686)	(671)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(1,179)	(1,102)
Receipts from sales of tangible fixed assets		11	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,168)	(1,102)
NET CASH OUTFLOW BEFORE FINANCING		(2,979)	(3,053)
FINANCING			
Issue of ordinary share capital	20	(1,550)	(1,300)
Proceeds from new loans	16	(1,768)	(1,352)
NET CASH OUTFLOW FROM FINANCING		(3,318)	(2,652)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14	339	(401)
		(2,979)	(3,053)



# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1993

### 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 1993

### 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:

	1993 £000	1992 £000
United Kingdom	8,744	8,011
European Countries	5,842	5,109
Rest of the World	460	278
	<u>15,046</u>	<u>13,398</u>

### 3 OPERATING LOSS

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

	1993 £000	1992 £000
Auditors' remuneration - audit services	20	24
Auditors' remuneration - non audit services	51	51
Depreciation of owned assets	738	680
Amortisation of goodwill	5	5
Plant hire	27	34
	<u>841</u>	<u>804</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1993

### 3 OPERATING LOSS (continued)

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

	1993 £000	1992 £000
Operating loss	(1,421)	(1,639)
Depreciation	738	680
Amortisation of goodwill	5	5
Profit on disposal of tangible fixed assets	(4)	-
(Increase)/decrease in debtors	(278)	510
Increase in stocks	(11)	(52)
Decrease in creditors	(154)	(784)
Net cash outflow from operating activities	<u>(1,125)</u>	<u>(1,280)</u>

#### c) Directors' remuneration

Other emoluments	111	89
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The emoluments of the highest paid director were £111,000 (1992: £89,000). No remuneration was received by the other director (1992: £nil).

### 4 STAFF COSTS

	1993 £000	1992 £000
Wages and salaries	2,907	2,722
Social security costs	148	158
Other pension costs	219	183
	<u>3,274</u>	<u>3,063</u>

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

	1993 No	1992 No
Office management	14	13
Production	51	55
Research and development	15	16
	<u>80</u>	<u>84</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1993

### 5 INTEREST RECEIVABLE

	1993 £000	1992 £000
Bank interest receivable	<u>49</u>	<u>86</u>

### 6 INTEREST PAYABLE

	1993 £000	1992 £000
Other loans not wholly repayable within five years	<u>735</u>	<u>757</u>

### 7 FOREIGN EXCHANGE LOSS

	1993 £000	1992 £000
Unrealised exchange loss on loan	<u>1,988</u>	<u>2,493</u>

### 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 1993 and 31 December 1993	<u>100</u>
Amortisation:	
At 1 January 1993	19
Provided during the year	<u>5</u>
At 31 December 1993	<u>24</u>
Net book value:	
At 31 December 1993	<u>76</u>
At 1 January 1993	<u>81</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1993

### 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 1993	572	1,227	8,618	142	10,559
Additions	-	-	-	1,179	1,179
Disposals	-	-	(7)	-	(7)
Transfers	22	-	710	(732)	-
At 31 December 1993	<u>594</u>	<u>1,227</u>	<u>9,321</u>	<u>589</u>	<u>11,731</u>
Depreciation:					
At 1 January 1993	20	96	1,890	-	2,006
Provided during year	8	38	692	-	738
At 31 December 1993	<u>28</u>	<u>134</u>	<u>2,582</u>	<u>-</u>	<u>2,744</u>
Net book value:					
At 31 December 1993	<u>566</u>	<u>1,093</u>	<u>6,739</u>	<u>589</u>	<u>8,987</u>
At 1 January 1993	<u>552</u>	<u>1,131</u>	<u>6,728</u>	<u>142</u>	<u>8,553</u>

### 11 INVESTMENTS

	<i>1993 £000</i>	<i>1992 £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. Zeon Europe GmbH has a 100% holding in Zeon Deutschland GmbH's issued ordinary share capital. Both companies are registered in Germany.

### 12 STOCKS

	<i>1993 £000</i>	<i>1992 £000</i>
Raw materials	797	687
Work in progress	50	32
Finished goods	2,781	2,898
	<u>3,628</u>	<u>3,617</u>

# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1993

### 13 DEBTORS

	1993 £000	1992 £000
Trade debtors	2,444	2,116
Amounts owed by other group undertakings	520	516
Other debtors	134	194
Prepayments and accrued income	41	35
	<u>3,139</u>	<u>2,861</u>

### 14 CASH AND CASH EQUIVALENTS

	1993 £000	1992 £000
At 1 January	1,140	1,541
Net cash inflow/(outflow)	339	(401)
At 31 December	<u>1,479</u>	<u>1,140</u>

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

	1993 £000	1992 £000
Trade creditors	8	438
Amounts owed to parent undertaking	663	581
Other taxes and social security costs	17	-
Other creditors	106	51
Accruals	1,208	1,086
	<u>2,002</u>	<u>2,156</u>

NOTES TO THE ACCOUNTS  
at 31 December 1993

## 16 LOANS

	1993 £000	1992 £000
Wholly repayable between two and five years	13,511	11,803
Not wholly repayable within five years:		
5.875% (variable) repayable on 29 March 1999	1,817	1,587
3% (variable) repayable on 29 March 2000	848	-
3.75% (variable) repayable on 29 March 2000	424	-
4% (variable) repayable on 29 March 2000	546	-
	<u>17,146</u>	<u>13,390</u>

The loans are all denominated in Japanese Yen.

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

	1993 £000	1992 £000
At 1 January	13,390	9,545
New loans raised	1,768	1,352
Effect of foreign exchange rate changes	1,988	2,493
At 31 December	<u>17,146</u>	<u>13,390</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:

	1993 £000	1992 £000
Capital allowances in advance of depreciation	1,492	1,256
Other timing differences	(157)	(182)
Less: losses carried forward (restricted)	<u>(1,335)</u>	<u>(1,074)</u>
	<u>-</u>	<u>-</u>

# Zcon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS at 31 December 1993

### 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 1993 was £219,000 (1992: £183,000).

Company contributions of £185,000 were paid during the year. The provision for pension costs at the end of the year was £34,000.

### 19 CAPITAL COMMITMENTS

There were no capital commitments either authorised and contracted for but not provided in the accounts or authorised but not contracted for at 31 December 1993 or 31 December 1992.

### 20 SHARE CAPITAL

	1993	Authorised 1992	Allotted, called up and fully paid 1993	1992
	£000	£000	£000	£000
Ordinary shares of £1 each	<u>11,150</u>	<u>9,600</u>	<u>11,150</u>	<u>9,600</u>

On 18 March 1993, 1,550,000 ordinary shares of £1 each were issued at par 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:

	1993 £000	1992 £000
At 1 January	9,600	8,300
Net cash inflow from financing	<u>1,550</u>	<u>1,300</u>
At 31 December	<u>11,150</u>	<u>9,600</u>



# Zeon Chemicals Europe Limited

## NOTES TO THE ACCOUNTS

at 31 December 1993

### 21 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1993 £000	1992 £000
At 1 January	1,063	4,566
Loss for the financial year	(4,095)	(4,803)
New share capital subscribed	1,550	1,300
At 31 December	<u>(1,482)</u>	<u>1,063</u>

### 22 ULTIMATE PARENT UNDERTAKING

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