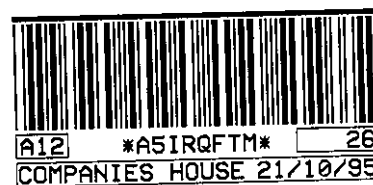


Thermofil Polymers (UK) Ltd

2594313

Annual report for the year ended 31 December 1994

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Directors and advisers

Executive directors

Chairman	T Okuno
Managing Director	E Herwig
Deputy Managing Director	T Nomura
	J I Davies
	S Nomoto
	E Gaaloul

Secretary and registered office

J D Archard
New Lane
Havant
Hampshire
PO9 2NQ

Registered auditors

Coopers & Lybrand
5 Town Quay
Southampton
Hampshire
SO14 2HJ

Bankers

Barclays Bank plc

National Westminster Bank plc

**Directors' report
for the year ended 31 December 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activity of the company, thermoplastic compounding, remains unchanged from last year.

Review of business and future developments

Additional manufacturing capacity enabled the company to increase further sales revenue by 14% during 1994 in our principal markets UK, Germany, France and Benelux. Significant raw material cost increases adversely affected profit margins towards the end of the year.

The ultimate holding company Nippon Steel Chemical Co. Ltd has undertaken to provide continuing support as necessary, for a period of at least twelve months from the date of this report.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1994. The loss for the financial year of £1,150,676 (1993: £733,771) will be transferred to the company's reserves.

Research and development activities

The company is committed to research and development activities in order to secure its position in the market. Expenditure in the year is set out in note 7.

Changes in fixed assets

The movements in fixed assets during the year, are set out in notes 9 and 10 to the financial statements. Freehold land and buildings were revalued to their open market value as at 31 December 1994. The resulting write-down in the value of buildings of £206,860, shown in note 7, is a major cause of the increased loss in 1994 compared with 1993.

Directors

The directors of the company who held office during the year and at 31 December 1994 were:

T Okuno
E Herwig
T Nomura
J I Davies
D A McClelland (resigned 6 January 1994)
T Naito (resigned 31 December 1994)
S Nomoto

Mr E Gaaloul was appointed director on 1 January 1995. Mr T Okuno is resident in Japan and Mr E Gaaloul is resident in France.

Directors' interests

No directors held beneficial interests in the shares of the company, or other United Kingdom group companies, at 31 December 1994 or at any time during the year.

Charitable and political contributions

The contributions made by the company during the year for political and charitable purposes were:

	£
For political purposes	-
For charitable purposes	948
	<hr/>
	948
	<hr/>

Taxation status

The company was not a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 4, "Capital Instruments", the presentation of the financial statements has been amended to conform with the new requirements.

Responsibilities of directors

The directors are required by UK Company law 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 judgments 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;
- 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

The company passed an Elective Resolution on 13 December 1991 to dispense with the obligation to appoint an auditor annually. In the absence of a notice proposing that the appointment be terminated, the auditors, Coopers & Lybrand, will be deemed to be re-appointed for the next financial year.

By order of the board



J D Archard
Secretary

6 April 1995

Report of the auditors to the members of Thermofil Polymers (UK) Ltd

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

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

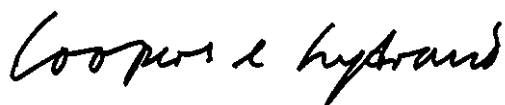
Basis of opinion

We conducted our audit in accordance with 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 at 31 December 1994 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

Southampton
6 April 1995

**Profit and loss account
for the year ended 31 December 1994**

	Notes	1994 £	1993 £
Turnover	2	14,152,850	12,421,467
Cost of sales		(12,765,170)	(10,811,914)
		<hr/>	<hr/>
Gross profit		1,387,680	1,609,553
Other operating expenses	3	(2,252,407)	(2,203,494)
		<hr/>	<hr/>
Operating loss		(864,727)	(593,941)
Interest payable and similar charges	6	(321,933)	(190,824)
		<hr/>	<hr/>
Loss on ordinary activities	7	(1,186,660)	(784,765)
Amount receivable from holding company in respect of group relief	8	35,984	50,994
		<hr/>	<hr/>
Loss for the financial year	18	(1,150,676)	(733,771)
		<hr/> <hr/>	<hr/> <hr/>

The results for both years are derived from continuing operations.

Statement of total recognised gains and losses

	1994	1993
	£	£
Loss for the year	(1,150,676)	(733,771)
Unrealised loss on the revaluation of land and buildings	(329,253)	-
	<hr/>	<hr/>
Total recognised losses relating to the year	(1,479,929)	(733,771)
	<hr/>	<hr/>


Note of historical cost losses

	1994	1993
	£	£
Reported loss on ordinary activities before taxation	(1,186,660)	(784,765)
Realisation of property revaluation gains of previous years	112,647	-
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	31,950	31,950
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(1,042,063)	(752,815)
	<hr/>	<hr/>

**Balance sheet
at 31 December 1994**

	Notes	1994 £	1993 £
Fixed assets			
Intangible assets	9	14,297	17,855
Tangible assets	10	7,589,392	8,274,904
		<u>7,603,689</u>	<u>8,292,759</u>
Current assets			
Stocks	11	2,255,083	1,823,275
Debtors: amounts falling due after one year	12	15,833	25,816
Debtors: amounts falling due within one year	12	3,687,725	2,635,723
Cash at bank and in hand		2,336	5,243
		<u>5,960,977</u>	<u>4,490,057</u>
Creditors: amounts falling due within one year	13	(6,759,795)	(5,419,073)
Net current liabilities		<u>(798,818)</u>	<u>(929,016)</u>
Total assets less current liabilities		6,804,871	7,363,743
Creditors: amounts falling due after more than one year	14	(2,566,971)	(1,645,914)
Net assets		<u>4,237,900</u>	<u>5,717,829</u>
Capital and reserves			
Called up share capital	17	5,300,002	5,300,002
Revaluation reserve	18	1,623,050	2,096,900
Profit and loss account	18	(2,685,152)	(1,679,073)
Equity shareholders' funds		<u>4,237,900</u>	<u>5,717,829</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 6 April 1995 and were signed on its behalf by:



T Nomura
Director



E Herwig
Director

Notes to the financial statements for the year ended 31 December 1994

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Fixed assets

Fixed assets are recorded at original cost or valuation less accumulated depreciation and any permanent diminution in value. Cost comprises direct expenditure incurred together with any incidental expenses of acquisition.

Expenditure on new capital projects which have not been commissioned by the accounting date is classified as capital work in progress and is transferred to the appropriate fixed asset account on completion of commissioning.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal asset lives used for this purpose are:

Freehold buildings (including temporary constructions)	5 - 20 years
Plant and machinery	5 - 15 years
Fixtures, fittings and equipment	5 - 15 years
Computers (included as equipment)	5 years

Profits or losses on disposal are included in the trading results for the period. Freehold land is not depreciated.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated at the rates ruling when the transactions are made. Any differences on translation are dealt with as part of the trading result for the year.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Finished goods are stated at cost of production including works overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied.

Research and development

All expenditure on development or pure and applied research is written off as incurred.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a defined benefit pension scheme which is contracted out of the state scheme. The scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to its employees.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. There are no assets held under finance leases.

Revaluation reserve

Net surpluses arising as a result of incorporating property valuations in the accounts are taken to the revaluation reserve. An amount equal to the excess depreciation charged in the year as a result of the revaluation is treated as realised and is transferred from the revaluation reserve to the profit and loss account reserve. On disposal of a property the revaluation surplus or deficit thereon is transferred to retained profit.

Cash flow statement

The company is a wholly owned subsidiary of a UK company which prepares a consolidated cash flow statement dealing with the cash flows of the group. As a consequence the company has taken advantage of the exemptions of FRS1 not to publish a cash flow statement.

2 Turnover

The analysis by geographical area of the company's turnover by destination is set out below:

	1994 £	1993 £
Geographical segment		
United Kingdom	12,160,353	11,442,989
Europe	1,902,535	899,918
Other	89,962	78,560
	<u>14,152,850</u>	<u>12,421,467</u>

3 Other operating expenses

	1994 £	1993 £
Distribution costs	972,089	1,200,282
Administrative expenses	1,280,318	1,003,212
	<u>2,252,407</u>	<u>2,203,494</u>

4 Directors' emoluments

	1994 £	1993 £
Fees	6,000	9,000
Other emoluments (including pension contributions and benefits in kind)	118,638	164,109
Compensation for loss of office	36,408	-
	<u>161,046</u>	<u>173,109</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1994 £	1993 £
The Chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>65,651</u>	<u>63,707</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1994 Number	1993 Number
£0 to £5,000	4	7
£5,001 to £10,000	1	-
£10,001 to £15,000	-	1
£15,001 to £20,000	1	1
£20,001 to £25,000	-	-
£25,001 to £30,000	-	1
£30,001 to £35,000	1	-
	<u> </u>	<u> </u>

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1994 Number	1993 Number
Production	64	60
Selling and distribution	12	11
Administration	21	20
Research and development	9	11
	<u>106</u>	<u>102</u>
	1994 £	1993 £
Staff costs (for the above persons)		
Wages and salaries	1,833,667	1,786,936
Social security costs	148,294	138,370
Other pension costs (see note 16)	166,226	186,160
	<u>2,148,187</u>	<u>2,111,466</u>

6 Interest payable and similar charges

	1994 £	1993 £
On bank overdraft and other loans:		
Repayable within 5 years, not by instalments	<u>321,933</u>	<u>190,824</u>

£127,488 (1993:£58,924) of this amount related to interest payable on loans from group companies.

7 Loss on ordinary activities

	1994 £	1993 £
Loss on ordinary activities is stated after crediting: (Loss)/profit on disposal of tangible fixed assets	<u>(8,642)</u>	<u>6,550</u>
And after charging:		
Depreciation charge for the year:		
Intangible fixed assets	5,153	4,293
Tangible fixed assets	669,483	569,493
Permanent diminution in value of tangible fixed assets	206,860	-
Research and development expenditure	284,892	221,148
Auditors' remuneration	20,000	23,000
Hire of assets - operating leases	<u>130,225</u>	<u>125,912</u>

8 Amount receivable from holding company in respect of group relief

No tax is payable in the year due to the loss on ordinary activities. Tax losses are available to carry forward for offset against future taxable profits of the same trade. Payment is receivable from the holding company in respect of group relief. This may be analysed as:

	1994 £	1993 £
Current year	36,222	50,994
Prior year	<u>(238)</u>	<u>-</u>
	<u>35,984</u>	<u>50,994</u>

9 Intangible fixed assets

	Trade marks £	Patents £	Total £
Cost			
At 1 January 1994	14,398	10,950	25,348
Additions	1,595	-	1,595
	<u>15,993</u>	<u>10,950</u>	<u>26,943</u>
At 31 December 1994			
Depreciation			
At 1 January 1994	3,718	3,775	7,493
Charge for year	2,963	2,190	5,153
	<u>6,681</u>	<u>5,965</u>	<u>12,646</u>
At 31 December 1994			
Net book value			
At 31 December 1994	<u>9,312</u>	<u>4,985</u>	<u>14,297</u>
Net book value			
At 31 December 1993	<u>10,680</u>	<u>7,175</u>	<u>17,855</u>

10 Tangible fixed assets

	Land and buildings £	Plant, machinery and equipment £	Capital work in progress £	Total £
Cost or valuation				
At 1 January 1994	4,431,548	3,745,342	1,306,548	9,483,438
Additions	-	-	772,564	772,564
Disposals	(196,696)	(83,569)	-	(280,265)
Transfers	201,577	1,511,736	(1,713,313)	-
Revaluation	(826,429)	-	-	(826,429)
At 31 December 1994	3,610,000	5,173,509	365,799	9,149,308
Depreciation				
At 1 January 1994	182,462	1,026,072	-	1,208,534
Charge for year	107,854	561,629	-	669,483
Eliminated in respect of disposals	-	(27,785)	-	(27,785)
Revaluation	(290,316)	-	-	(290,316)
At 31 December 1994	-	1,559,916	-	1,559,916
Net book value				
At 31 December 1994	3,610,000	3,613,593	365,799	7,589,392
At 31 December 1993	4,249,086	2,719,270	1,306,548	8,274,904
Cost or valuation at 31 December 1994 is represented by:				
Valuation in 1994	3,610,000	-	-	3,610,000
Cost	-	5,173,509	365,799	5,539,308
	3,610,000	5,173,509	365,799	9,149,308

Land and buildings were valued for the purpose of the 1994 financial statements at open market value for existing use. These valuations were made by Hellier Langstone, a firm of independent Chartered Surveyors.

If land and buildings had not been revalued they would have been included at the following amounts:

	Land and buildings	
	1994	1993
	£	£
Cost	2,421,076	2,303,548
Aggregate depreciation based on cost	(227,265)	(151,361)
Net book value based on cost	2,193,811	2,152,187
Provision for permanent diminution in value	(206,860)	-
Net book value	1,986,951	2,152,187

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £2,650,000 (1993: £2,600,000).

11 Stocks

	1994 £	1993 £
Raw materials and consumables	1,241,140	815,095
Work in progress	138,154	81,589
Finished goods and goods for resale	875,789	926,591
	<u>2,255,083</u>	<u>1,823,275</u>

12 Debtors

	1994 £	1993 £
Amounts falling due after more than one year		
Prepayments and accrued income	15,833	25,816
Amounts falling due within one year		
Trade debtors	2,770,349	2,072,417
Amounts owed by group undertakings:		
Parent or fellow subsidiary undertakings	761,660	359,434
Other debtors	10,939	19,247
Prepayments and accrued income	144,777	184,625
	<u>3,687,725</u>	<u>2,635,723</u>

13 Creditors: amounts falling due within one year

	1994 £	1993 £
Bank overdraft	2,268,556	2,408,149
Trade creditors	4,216,743	2,412,552
Amounts owed to group undertakings	-	300,000
PAYE and social security costs	65,269	63,184
Other creditors	77,688	12,273
Accruals	131,539	222,915
	<u>6,759,795</u>	<u>5,419,073</u>

The bank overdraft is unsecured and repayable on demand. However the bank holds a letter of intent, as a form of guarantee, from the ultimate holding company Nippon Steel Chemical Co., Ltd and a fellow shareholder, the Nichimen Corporation.

14 Creditors: amounts falling due after more than one year

	1994 £	1993 £
Amounts owed to group undertakings	<u>2,566,971</u>	<u>1,645,914</u>

15 Deferred taxation

No provision has been made for deferred taxation due to trading losses carried forward for relief against future taxable profits of the same trade. A potential liability to deferred taxation arising on the revaluation of land and buildings of £321,328 at 31 December 1994 (1993: £675,998) has not been provided as in the opinion of the directors the liability will not crystallise in the foreseeable future.

16 Pension and similar obligations

The company operates a defined benefit pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund.

The total pension cost for the company was £166,226 (1993: £186,160). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method.

The latest actuarial valuation was at 1 February 1992. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment return would be 10% per annum, that salary increases would average 8% per annum and that future pensions would increase at the rate of 5% per annum (3% per annum for the Guaranteed Minimum Pension element).

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £1,849,899 and the actuarial value of the assets was sufficient to cover 100% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 11.5% and 3% of pensionable salary respectively.

17 Called up share capital

	1994 £	1993 £
Authorised		
8,000,000 ordinary shares of £1 each	<u>8,000,000</u>	<u>8,000,000</u>
Allotted, called up and fully paid		
5,300,002 ordinary shares of £1 each	<u>5,300,002</u>	<u>5,300,002</u>

18 Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 1994	2,096,900	(1,679,073)
Loss for the year	-	(1,150,676)
Revaluation deficit on land and buildings	(329,253)	-
Transfer from revaluation reserve to profit and loss account	(31,950)	31,950
Realised on sale of revalued assets	(112,647)	112,647
At 31 December 1994	<u>1,623,050</u>	<u>(2,685,152)</u>

19 Capital commitments

	1994 £	1993 £
Future capital expenditure		
Contracted but not provided for	20,789	124,713
Authorised but not contracted for	<u>-</u>	<u>-</u>

20 Financial commitments

At 31 December 1994 the group had annual commitments under non-cancellable operating leases as follows:

	1994 £	1993 £
Expiring within one year	22,898	13,665
Expiring between two and five years inclusive	56,705	69,213
Expiring in over five years	-	5,070
	<u>79,603</u>	<u>87,948</u>

21 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Opening shareholders' funds	5,717,829	6,451,600
Loss for the financial year	(1,150,676)	(733,771)
Loss on revaluation of land and buildings	(329,253)	-
Closing shareholders' funds	<u>4,237,900</u>	<u>5,717,829</u>

22 Ultimate and immediate parent companies

The directors regard Nippon Steel Chemical Co., Ltd, a company registered in Japan, as the ultimate parent company and NS & N (UK) Ltd, a company registered in England and Wales, as the immediate parent company. According to the register kept by the company, NS & N (UK) Ltd has a 100% interest in the equity capital of Thermofil Polymers (UK) Ltd at 31 December 1994.