

Thermofil Polymers (UK) Ltd

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Annual report for the year ended 31 December 1995

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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
	M C Hughes

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

Sanwa Bank Limited

Directors' report for the year ended 31 December 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

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

Increased sales to mainland Europe and careful management of costs associated with each of our existing product lines has enabled the company to achieve profitability. Continuing development of new products will ensure that this improving trend continues and that the company will earn an acceptable return for its shareholders in future years.

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 1995. The profit for the financial year of £77,502 (1994: loss £1,150,676) 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.

Directors

The directors of the company who held office during the year and at 31 December 1995 were:

T Okuno
E Herwig
T Nomura
J I Davies
S Nomoto
E Gaaloul

Mr M C Hughes was appointed director on 1 January 1996. 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 1995 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	255
	<hr/>
	255
	<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.

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:

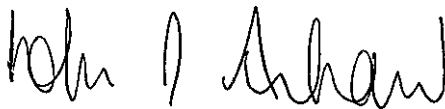
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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

29 March 1996

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 1995 and of its profit and total recognised gains 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

4 April 1996

**Profit and loss account
for the year ended 31 December 1995**

	Notes	1995 £	1994 £
Turnover	2	20,435,232	14,152,850
Cost of sales		(18,102,795)	(12,765,170)
		<hr/>	<hr/>
Gross profit		2,332,437	1,387,680
Other operating expenses	3	(1,862,740)	(2,252,407)
		<hr/>	<hr/>
Operating profit/(loss)		469,697	(864,727)
Interest payable and similar charges	6	(366,335)	(321,933)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities	7	103,362	(1,186,660)
Amount (payable to)/receivable from holding company in respect of group relief	8	(25,860)	35,984
		<hr/>	<hr/>
Profit/(loss) for the financial year	18	77,502	(1,150,676)
		<hr/> <hr/>	<hr/> <hr/>

The results for both years are derived from continuing operations.

Statement of total recognised gains and losses

	1995	1994
	£	£
Profit/(loss) for the year	77,502	(1,150,676)
Unrealised loss on the revaluation of land and buildings	-	(329,253)
	<hr/>	<hr/>
Total recognised gains/(losses) relating to the year	<u>77,502</u>	<u>(1,479,929)</u>

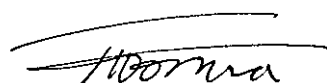
Note of historical cost losses

	1995	1994
	£	£
Reported profit/(loss) on ordinary activities before taxation	103,362	(1,186,660)
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
	<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation	<u>103,362</u>	<u>(1,042,063)</u>

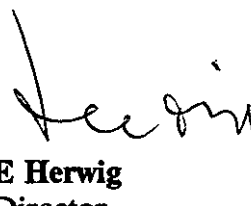
**Balance sheet
at 31 December 1995**

	Notes	1995 £	1994 £
Fixed assets			
Intangible assets	9	10,217	14,297
Tangible assets	10	7,507,439	7,589,392
		<u>7,517,656</u>	<u>7,603,689</u>
Current assets			
Stocks	11	2,785,285	2,255,083
Debtors: amounts falling due after one year	12	5,830	15,833
Debtors: amounts falling due within one year	12	4,180,651	3,687,725
Cash at bank and in hand		4,425	2,336
		<u>6,976,191</u>	<u>5,960,977</u>
Creditors: amounts falling due within one year	13	<u>(7,149,525)</u>	<u>(6,759,795)</u>
Net current liabilities		<u>(173,334)</u>	<u>(798,818)</u>
Total assets less current liabilities		<u>7,344,322</u>	<u>6,804,871</u>
Creditors: amounts falling due after more than one year	14	<u>(3,028,920)</u>	<u>(2,566,971)</u>
Net assets		<u><u>4,315,402</u></u>	<u><u>4,237,900</u></u>
Capital and reserves			
Called up share capital	17	5,300,002	5,300,002
Revaluation reserve	18	1,623,050	1,623,050
Profit and loss account	18	(2,607,650)	(2,685,152)
Equity shareholders' funds		<u><u>4,315,402</u></u>	<u><u>4,237,900</u></u>

The financial statements on pages 6 to 20 were approved by the board of directors on 29 March 1996 and were signed on its behalf by:



T Nomura
Director



E Herwig
Director

Notes to the financial statements for the year ended 31 December 1995

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:

	1995 £	1994 £
Geographical segment		
United Kingdom	17,519,401	12,160,353
Europe	2,799,785	1,902,535
Other	116,046	89,962
	<u>20,435,232</u>	<u>14,152,850</u>

3 Other operating expenses

	1995 £	1994 £
Distribution costs	904,434	972,089
Administrative expenses	958,306	1,280,318
	<u>1,862,740</u>	<u>2,252,407</u>

4 Directors' emoluments

	1995 £	1994 £
Fees	7,500	6,000
Other emoluments (including pension contributions and benefits in kind)	120,210	118,638
Compensation for loss of office	-	36,408
	<u>127,710</u>	<u>161,046</u>

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

	1995 £	1994 £
The Chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>66,500</u>	<u>65,651</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:

	1995 Number	1994 Number
£0 to £5,000	4	4
£35,001 to £40,000	-	1
£45,001 to £50,000	-	1
£50,001 to £55,000	1	-
£65,001 to £70,000	1	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:

	1995 Number	1994 Number
Production	66	64
Selling and distribution	8	9
Administration	19	21
Research and development	11	12
	<u>104</u>	<u>106</u>
	1995 £	1994 £
Staff costs (for the above persons)		
Wages and salaries	1,896,023	1,833,667
Social security costs	149,273	148,294
Other pension costs (see note 16)	155,332	166,226
	<u>2,200,628</u>	<u>2,148,187</u>

6 Interest payable and similar charges

	1995 £	1994 £
On bank overdraft and other loans:		
Repayable within 5 years, not by instalments	<u>366,335</u>	<u>321,933</u>

£194,583 (1994: £127,488) of this amount related to interest payable on loans from group companies.

7 Profit/(loss) on ordinary activities

	1995 £	1994 £
Profit/(loss) on ordinary activities is stated after crediting:		
Loss/(profit) on disposal of tangible fixed assets	150	(8,642)
And after charging:		
Depreciation charge for the year:		
Intangible fixed assets	5,596	5,153
Tangible fixed assets	720,865	669,483
Permanent diminution in value of tangible fixed assets	-	206,860
Research and development expenditure	267,225	284,892
Auditors' remuneration	20,500	20,000
Hire of assets - operating leases	110,871	130,225

8 Amount (payable to)/receivable from holding company in respect of group relief

No tax is payable in the year due to tax losses brought forward in respect of previous years and group relief receivable from the holding company. Payment is (due to)/receivable from the holding company in respect of group relief, for losses surrendered at 33% (1994: 33%). This may be analysed as:

	1995 £	1994 £
Current year	(25,340)	36,222
Prior year	(520)	(238)
	<u>(25,860)</u>	<u>35,984</u>

9 Intangible fixed assets

	Trade marks £	Patents £	Total £
Cost			
At 1 January 1995	15,993	10,950	26,943
Additions	1,516	-	1,516
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1995	17,509	10,950	28,459
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 January 1995	6,681	5,965	12,646
Charge for year	3,411	2,185	5,596
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1995	10,092	8,150	18,242
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 1995	7,417	2,800	10,217
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 1994	9,312	4,985	14,297
	<u> </u>	<u> </u>	<u> </u>

10 Tangible fixed assets

	Land and buildings £	Plant, machinery and equipment £	Capital work in progress £	Total £
Cost or valuation				
At 1 January 1995	3,610,000	5,173,509	365,799	9,149,308
Additions	-	-	639,328	639,328
Disposals		(7,721)	-	(7,721)
Transfers	91,514	521,246	(612,760)	-
At 31 December 1995	3,701,514	5,687,034	392,367	9,780,915
Depreciation				
At 1 January 1995	-	1,559,916	-	1,559,916
Charge for year	65,596	655,269	-	720,865
Eliminated in respect of disposals	-	(7,305)	-	(7,305)
At 31 December 1995	65,596	2,207,880	-	2,273,476
Net book value				
At 31 December 1995	3,635,918	3,479,154	392,367	7,507,439
At 31 December 1994	3,610,000	3,613,593	365,799	7,589,392
Cost or valuation at 31 December 1995 is represented by:				
Valuation in 1994	3,610,000	-	-	3,610,000
Cost	91,514	5,687,034	392,367	6,170,915
	3,701,514	5,687,034	392,367	9,780,915

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	
	1995	1994
		£
Cost	2,512,589	2,421,076
Aggregate depreciation based on cost	(328,171)	(227,265)
Net book value based on cost	2,184,418	2,193,811
Provision for permanent diminution in value	(206,860)	(206,860)
Net book value	1,977,558	1,986,951

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £2,650,000 (1994: £2,650,000).

11 Stocks

	1995 £	1994 £
Raw materials and consumables	1,509,053	1,241,140
Work in progress	92,353	138,154
Finished goods and goods for resale	1,183,879	875,789
	<u>2,785,285</u>	<u>2,255,083</u>

12 Debtors

	1995 £	1994 £
Amounts falling due after more than one year		
Prepayments and accrued income	5,830	15,833
Amounts falling due within one year		
Trade debtors	3,623,319	2,770,349
Amounts owed by group undertakings:		
Parent or fellow subsidiary undertakings	442,612	761,660
Other debtors	1,314	10,939
Prepayments and accrued income	113,406	144,777
	<u>4,180,651</u>	<u>3,687,725</u>

13 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	2,706,229	2,268,556
Trade creditors	3,889,411	4,216,743
Amounts owed to group undertakings	253	-
PAYE and social security costs	57,871	65,269
Other creditors	332,070	77,688
Accruals	163,691	131,539
	<u>7,149,525</u>	<u>6,759,795</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

	1995 £	1994 £
Amounts owed to group undertakings	<u>3,028,920</u>	<u>2,566,971</u>

15 Deferred taxation

The company has a deferred taxation asset at 31 December 1995 of £616,789 which is not recognised in these accounts. This asset arises mainly from deferred capital allowances. A potential liability to deferred taxation arising on the revaluation of land and buildings of £262,272 at 31 December 1995 (1994: £321,328) 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 £155,332 (1994: £166,226). 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 6 April 1995. 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 9% per annum, that salary increases would average 7% 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 £3,289,171 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 10% and 3% of pensionable salary respectively.

17 Called up share capital

	1995 £	1994 £
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 1995	1,623,050	(2,685,152)
Profit for the year	-	77,502
At 31 December 1995	<u>1,623,050</u>	<u>(2,607,650)</u>

19 Capital commitments

	1995 £	1994 £
Future capital expenditure		
Contracted but not provided for	93,428	20,789
Authorised but not contracted for	<u>-</u>	<u>-</u>

20 Financial commitments

At 31 December 1995 the group had annual commitments under non-cancellable operating leases as follows:

	1995 £	1994 £
Expiring within one year	5,066	22,898
Expiring between two and five years inclusive	51,267	56,705
Expiring in over five years	-	-
	<u>56,333</u>	<u>79,603</u>

21 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Opening shareholders' funds	4,237,900	5,717,829
Profit/(loss) for the financial year	77,502	(1,150,676)
Loss on revaluation of land and buildings	-	(329,253)
	<u>4,315,402</u>	<u>4,237,900</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 1995.