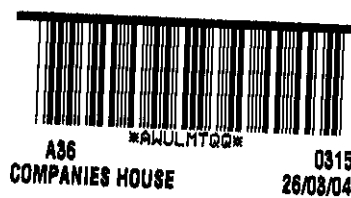


2003-2004

F2 CHEMICALS LIMITED

Report and Accounts

31 December 2003



F2 Chemicals Limited

Registered No. 2680159

DIRECTORS

S Samejima resigned 19-09-03 (Chairman and Chief Executive)
T. Minato appointed 26-03-03 (Chairman and Chief Executive from 19-09-03)
M Hosoda
W Denison
A Yasuda
M. Kaino resigned 26-03-03
T Misumi resigned 26-03-03
J Komamura resigned 26-03-03
C M Gloria
J Miyazaki resigned 26-03-03
N Kimura appointed 26-03-03
K Saito appointed 19-09-03

SECRETARY

W Denison

AUDITORS

Abrams Ashton
41 St Thomas's Road
Chorley
Lancashire
PR7 1JE

REGISTERED OFFICE

Lea Lane
Lea Town
Preston
Lancashire
PR4 0RZ

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £2,000 (2002: profit of £1,000).

The directors do not recommend the payment of a dividend (2002: £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities during the twelve months continued to be the manufacture and supply of perfluorocarbon fluids using cobalt fluoride technology and other fluorine containing organic chemicals principally using its selective direct fluorination technology.

The company has continued to develop the perfluorocarbon businesses towards medical related products. A new focus has been placed on the development of products related to semi-conductor manufacturing.

The directors continue to expect the general level of activity to be improved due to links with the sales and marketing force of parent companies.

Closer research and development activity tie-ups with parent companies in selective fluorination technology area have been established.

DIRECTORS

The directors who served during the period were as follows:

S Samejima	(Chairman and Chief Executive)
T Minato	(Chairman and Chief Executive from 19-09-03)
M Hosoda	
A Yasuda	
M. Kaino	
T Misumi	
J Komamura	
C M Gloria	
W Denison	
N Kimura	
K Saito	
J Miyazaki	

There are no directors' interests requiring disclosure under the Companies Act 1985.

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Abrams Ashton as auditors will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'W Denison'. The signature is written in a cursive, flowing style.

W Denison
Company Secretary

F2 Chemicals 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;
- 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.

F2 Chemicals Limited

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF F2 CHEMICALS LIMITED

We have audited the company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 18. These financial statements have been prepared under the historic cost convention and on the basis of the accounting policies set out therein.

The report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Abrams Ashton
Registered Auditor
Chorley



25.3.04

F2 Chemicals Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
TURNOVER	2	4,020	4,075
Net operating costs and expenses	3	(3,998)	(3,983)
		<hr/>	<hr/>
OPERATING PROFIT		22	92
Other interest receivable and similar income	5	4	3
Interest payable and similar charges	6	(24)	(44)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2	51
Tax on loss on ordinary activities	7	-	(50)
		<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE PERIOD		2	1
		<hr/>	<hr/>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2003

There are no recognised gains or losses other than the profit of £2,000 for the year ended 31 December 2003 (year ended 2002: profit of £1,000).

F2 Chemicals Limited

BALANCE SHEET at 31 December 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	8	4,478	4,992
		<u>4,478</u>	<u>4,992</u>
CURRENT ASSETS			
Stocks	9	1,069	880
Debtors	10	576	665
Cash at bank and in hand		320	207
		<u>1,965</u>	<u>1,752</u>
CREDITORS: amounts falling due within one year	11	(1,049)	(1,352)
		<u>916</u>	<u>400</u>
NET CURRENT ASSETS/(LIABILITIES)			
NET ASSETS		<u>5,394</u>	<u>5,392</u>
CAPITAL AND RESERVES			
Called up share capital	12	11,125	11,125
Profit and loss account	13	(5,731)	(5,733)
		<u></u>	<u></u>
SHAREHOLDERS' FUNDS - EQUITY	14	<u>5,394</u>	<u>5,392</u>

The accounts were approved by the Board on 23/03/04 and signed on its behalf.


Director

F2 Chemicals Limited

CASH FLOW STATEMENT for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES (NOTE (a))		316	393
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4	3
Interest paid		(24)	(44)
TAXATION			
Overseas paid		-	(50)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(183)	(250)
FINANCING			
Issue of share capital		-	-
INCREASE IN CASH		<u>113</u>	<u>52</u>

F2 Chemicals Limited

CASH FLOW STATEMENT for the year ended 31 December 2003

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:

	2003	2002
	£000	£000
Operating profit	22	92
Depreciation charges	697	712
(Increase)/decrease in stocks	(189)	(179)
(Increase)/decrease in debtors	89	272
Increase/(decrease) in creditors	(303)	(504)
Net cash inflow/(outflow) from operating activities	316	393

(b) Reconciliation of cash flow to movement in net debt:

	2003	2002
	£000	£000
Increase in cash	545	52
Net debt at start of year	(595)	(647)
Net debt at end of year	(50)	(595)

(c) Analysis of changes in net debt:

	<i>At start of period £'000</i>	<i>Cash flow £'000</i>	<i>At end of period £'000</i>
Cash at bank and in hand	207	113	320
Bank loans and overdrafts	(802)	432	(370)
Net debt	(595)	545	(50)

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each assets evenly over its expected useful life, as follows:

Flutec plant	-	6.6% straight line
Leasehold Improvements	-	6.6% straight line
Research laboratory	-	10% straight line
Plant and equipment	-	20% straight line
Office equipment, fixtures and fittings	-	10% straight line
Computer equipment	-	33% straight line
Motor vehicles	-	25% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and, where appropriate, attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure on projects not specifically recoverable directly from customers is written off as incurred.

Deferred taxation

Deferred taxation is provided using the liability method at appropriate rates of taxation on all material timing differences to the extent that it is probable that the liability will crystallise.

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. Exchange differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules. Contributions are charged in the profit and loss account so as to spread the cost of the employees' working lives with the company. The regular cost is attributed to individual years using a projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to the Company's continuing activities. An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
United Kingdom	2,202	2,350
Europe – EC	543	696
USA	197	244
Other	1,078	785
	<u>4,020</u>	<u>4,075</u>

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2003 £000	2002 £000
Changes in stock of finished goods and WIP	(58)	29
Other operating income	-	(500)
Raw materials and consumable	1,468	1,595
Employee costs	1,207	1,283
Depreciation – owned fixed assets	697	712
Other external and operating charges	684	864
	<u>3,998</u>	<u>3,983</u>

Included above are the following items:

Auditors' remuneration - audit services	4	4
- non audit services	1	1
Operating lease rentals	19	27
	<u>24</u>	<u>32</u>

Exceptional Items included within other operating income above:

Profit on sale of technology asset	-	500
	<u>-</u>	<u>500</u>

F2 Chemicals Limited

NOTES TO THE ACCOUNTS at 31 December 2003

4. EMPLOYEE INFORMATION

The average weekly number of employees during the period were as follows:

	2003	2002
Manufacturing	26	29
Administration	12	14
	<u>38</u>	<u>43</u>

Employee costs during the period were as follows:

	2003 £000	2002 £000
Wages and salaries	1,022	1,121
Social security costs	84	85
Pension costs	101	77
	<u>1,207</u>	<u>1,283</u>

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £000	2002 £000
Bank interest	4	3

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £000	2002 £000
Bank loans and overdrafts	24	44

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
Irrecoverable withholding tax	-	(50)
	-	(50)

8. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i> £000	<i>Motor vehicles</i> £000	<i>Plant and equipment and office equipment</i> £000	<i>Total</i> £000
Cost:				
At 31 December 2002	773	9	10,236	11,018
Additions	-	-	183	183
Disposals	-	(9)	-	(9)
At 31 December 2003	773	-	10,419	11,192
Depreciation:				
At 31 December 2002	612	9	5,405	6,026
Charge for the period	18	-	679	697
Disposals	-	(9)	-	(9)
At 31 December 2003	630	-	6,084	6,714
Net book value:				
At 31 December 2003	143	-	4,335	4,478
At 31 December 2002	161	-	4,831	4,992

9. STOCKS

	2003 £000	2002 £000
Raw materials and consumables	163	63
Work in progress	698	521
Finished goods	208	296
	1,069	880

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

The difference between purchase price or production cost of stocks and their replacement cost is not material.

10. DEBTORS

	2003 £000	2002 £000
Trade debtors	256	273
Amounts due from group undertakings	227	306
Prepayments and accrued income	48	58
Other debtors	45	28
	<u>576</u>	<u>665</u>

11. CREDITORS: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdraft	370	802
Trade creditors	336	213
Other taxes and social security costs	39	35
Accruals and deferred income	154	302
Advance Payments	150	-
	<u>1,049</u>	<u>1,352</u>

12. SHARE CAPITAL

	2003 £000	2002 £000
Authorised:		
6 million ordinary shares of £1 each	6,000	6,000
Redeemable preference shares of £1 each	6,000	6,000
	<u>12,000</u>	<u>12,000</u>

	2003 No.	2002 No.	2003 £000	2002 £000
Allotted, called up and fully paid:				
6 million ordinary shares of £1 each	6,000,000	6,000,000	6,000	6,000
Redeemable preference shares of £1 each	5,125,000	5,125,000	5,125	5,125
	<u>11,125,000</u>	<u>11,125,000</u>	<u>11,125</u>	<u>11,125</u>

F2 Chemicals Limited

NOTES TO THE ACCOUNTS at 31 December 2003

12. SHARE CAPITAL (CONTINUED)

The preference shares are redeemable by the company at any time and do not carry any rights to dividends. They normally do not carry votes at meetings unless there has been no dividend paid on those shares in the previous twelve months, in which event each holder will be entitled to one vote per share. On a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share.

13. RESERVES

	<i>Profit and loss account £000</i>
At 31 December 2002	(5,733)
Retained profit for the period	2
At 31 December 2003	<u>(5,731)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 31 December 2002	11,125	(5,733)	5,392
Retained profit for the period	-	2	2
At 31 December 2003	<u>11,125</u>	<u>(5,731)</u>	<u>5,394</u>

15. PENSIONS

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

The pension costs of the company for the defined benefit scheme are assessed on the advice of a professionally qualified actuary. The latest actuarial assessment of that scheme was at 31 December 2003 using the "Projected Unit Method" with a control period of 10 years. The market value of the scheme assets at that date was £1,994,971 (2002: £1,566,000). The assessment showed that the actuarial valuation of the scheme's assets represented 69% overall of the benefits due to members.

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

15. PENSIONS (CONTINUED)

Under the transitional arrangements of Financial Reporting Standard No. 17 (FRS 17) "Retirement benefits", the company is required to disclose the following information about the pension scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

The major assumptions used by the actuary were as follows:

	<i>% per annum</i>	
	2003	2002
Rate of increase in salaries	3.70%	3.30%
Rate of increase in pensions in payment	2.70%	2.30%
Discount rate	5.40%	5.50%
Inflation assumption	2.70%	2.30%

The scheme's net pension asset and expected rate of return on its investments as at 31 December 2003 were analysed as follows:

	<i>Long term expected rate of return (%)</i>		<i>Market value £'000</i>	
	2003	2002	2003	2002
Equities	6.20%	6.00%	1,692	1,289
Gilts	4.70%	4.50%	147	125
Other Bonds	5.40%	5.50%	147	125
Other cash	3.75%	4.00%	9	27
Total market value of scheme assets			1,995	1,566
Present value of scheme liabilities			2,909	2,348
Deficit in the scheme			(914)	(782)

If the above pension liability was recognised in the accounts, the company's net assets and profit and loss reserve at 31 December 2003 would be as follows:

	<i>Net Assets £000</i>		<i>Profit and loss account reserves £000</i>	
	2003	2002	2003	2002
Excluding pension asset	5,394	5,392	(5,731)	(5,733)
Net pension liability	(914)	(782)	(914)	(782)
Including pension asset	4,480	4,610	(6,645)	(6,515)

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

History of experience gains and losses

	2003	2002
Difference between expected and actual return on scheme assets:		
Amount (£000)	227	(492)
Percentage of scheme assets	11%	(31%)
Experience gains and losses on scheme liabilities:		
Amount (£000)	(40)	-
Percentage of scheme assets	(1%)	-

The company has agreed with the trustees to pay contributions to the scheme at 13.1% of pensionable salaries, in respect of members, until the next actuarial valuation at 31 March 2005.

The contributions paid in respect of the year were £101,000 (2002: £77,000).

F2 Chemicals Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2003 the lease commitments under non-cancellable operating leases were as follows:

	<i>Other operating leases</i>	
	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:		
Within one year	19	6
In two to five years	31	29
	<u>50</u>	<u>35</u>

17. RELATED PARTY TRANSACTIONS

During the year the company sold goods and services to Asahi Glass Co. Limited for £132,000, goods to Mitsubishi Corporation £391,000 and to Miteni £130,000, all are parent undertakings. At the balance sheet date the amount due from Asahi Glass Co. Limited was £0, Mitsubishi Corporation £161,000 and from Miteni £66,000.

Purchases during the same period: Asahi Glass £781,000, Mitsubishi Corporation £2,000 and Miteni £30,000. At the balance sheet date the amount owed to Asahi Glass was £151,000, Mitsubishi Corporation £0, and to Miteni £15,000.

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate holding companies are Asahi Glass Co. Limited, Mitsubishi Corporation and Miteni spa with Asahi Glass Co. Limited having the controlling interest.

In the Directors' opinion the Company's ultimate parent undertaking and controlling party is Asahi Glass Co. Limited, which is incorporated in Japan. Copies of its group accounts, which include the Company, are available from Asahi Glass Co. Limited, 1-12-1 Yurakucho, Chiyoda-ku, Tokyo, 100-8405, Japan.