

NESTE CHEMICALS UK LIMITED

**Annual Report
For the year ended 31 December 1999**

Registered number: 2715398



NESTE CHEMICALS UK LIMITED

Directors' report

For the year ended 31 December 1999

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 1999.

Principal activities

The principal activity of the company continues to be the selling of liquid chemicals and polymers, however, with effect from 1 November 1998, this activity was solely in the capacity of agent to Neste group companies.

Review of business

The profit and loss account is set out on page 4.

The level of business increased during the year and the directors expect the levels to be sustained for the foreseeable future.

The financial position of the company at the year-end was satisfactory.

Dividends

The directors do not recommend the payment of a dividend. The profit retained for the year of £2,000 (1998: £83,000) will be transferred to reserves.

Directors and their interests

The directors of the company at 31 December 1999, all of whom have served throughout the year ended on that date, were as follows:

D J Roberts
A Colson
P Schittenhelm

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

NESTE CHEMICALS UK LIMITED

Directors report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view state of affairs of the company 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 judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 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.


Year 2000

The risks and uncertainties for the company with the Year 2000 problem have been assessed and appropriate actions have been taken where required. Costs incurred have not been material, as these have been incorporated into the normal cycle of systems upgrading and development. The company experienced no disruption or malfunctions since the turn of the year arising from its own computer systems or equipment with embedded date reliant computer chips.

Auditors

The directors appointed PricewaterhouseCoopers as auditors. A resolution will be proposed at the annual general meeting to reappoint PricewaterhouseCoopers.

By order of the Board



D J Roberts
Secretary
1 June 2000

NESTE CHEMICALS UK LIMITED

Auditors' report to the members of Neste Chemicals UK Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 financial statements.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Manchester

1 June 2000

NESTE CHEMICALS UK LIMITED

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	955	18,991
Cost of sales		(438)	(18,481)
Gross profit		517	510
Operating expenses	3	(535)	(522)
Operating (loss)/profit		(18)	(12)
Interest receivable and similar income		42	66
Interest payable and similar charges	4	(1)	-
Profit on ordinary activities before taxation	5	23	54
Tax on profit on ordinary activities	7	(21)	29
Retained profit for the financial year		2	83
Retained profit at beginning of year		299	216
Retained profit at end of year		301	299

All activity has arisen from continuing operations. The company has no recognised gains or losses in either year other than the profit for the financial year.

The notes on pages 6 to 13 form part of these financial statements.

NESTE CHEMICALS UK LIMITED

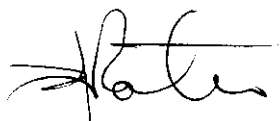
Balance sheet

As at 31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	8	58	74
Current assets			
Stocks	9	-	32
Debtors	10	1,112	883
Cash at bank and in hand		424	514
		<u>1,536</u>	<u>1,429</u>
Creditors: Amounts falling due within one year	11	(1,283)	(1,194)
Net current assets		<u>253</u>	<u>235</u>
Net assets		<u>311</u>	<u>309</u>
Capital and reserves			
Called-up share capital	13	10	10
Profit and loss account		301	299
Equity shareholders' funds	14	<u>311</u>	<u>309</u>

The notes on pages 6 to 13 form part of these financial statements.

The financial statements on pages 4 to 13 were approved by the board of directors on 1 June 2000 and signed on its behalf by:



D.J. Roberts
Director

NESTE CHEMICALS UK LIMITED

Notes to the financial statements

For the year ended 31 December 1999

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

All fixed assets are shown at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Motor vehicles	4 years
Office equipment	4 years
Computer equipment	3 years
Fixtures and fittings	5 years

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Following the change in operations of the company during the previous financial year, no stocks are now held.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

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Notes to the financial statements (continued)

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents contributions payable by the company in the period.

Turnover

Turnover arises wholly in the UK and comprises commissions receivable and the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business.

Cash flow and related party transactions

A cash flow statement has not been prepared as the company is exempt under the group accounts provisions of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing transactions with entities that are part of the Nordkemi Oy AB (Fin) Group.

2 Turnover

	1999 £'000	1998 £'000
Sales	463	18,484
Commissions receivable	492	507
	<u>955</u>	<u>18,991</u>

3 Operating expenses

	1999 £'000	1998 £'000
Administrative expenses	559	754
Distribution costs	-	506
Other operating income	(24)	(738)
	<u>535</u>	<u>522</u>

Other operating income represents recharges of costs to a fellow subsidiary undertaking for administrative support.

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Notes to the financial statements (continued)

4 Interest payable and similar charges

	1999 £'000	1998 £'000
Bank charges	1	-

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1999 £'000	1998 £'000
Auditors' remuneration:		
- audit fees	7	7
- other	-	6
Depreciation and amounts written off tangible fixed assets	35	38
Operating lease rentals	16	12

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1999 £'000	1998 £'000
Employee costs during the year amounted to:		
Wages and salaries	173	152
Social security costs	47	16
Other pension costs (see note 15)	48	48
	268	216

The average monthly number of persons employed by the company during the year was as follows:

	1999 Number	1998 Number
Administration	9	8

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Notes to the financial statements (continued)

6 Staff costs (continued)

Directors' remuneration

Remuneration

	1999 £'000	1998 £'000
Emoluments	60	57
Company contributions to money purchase pension schemes	32	32
	<u>92</u>	<u>89</u>
	<u><u>92</u></u>	<u><u>89</u></u>

7 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1999 £'000	1998 £'000
Corporation tax at 30% (1998-30.25%)	12	18
Under/(over) provision in prior year	9	(47)
	<u>21</u>	<u>(29)</u>
	<u><u>21</u></u>	<u><u>(29)</u></u>

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Notes to the financial statements (continued)

8 Tangible assets

The movement in the year was as follows:

	Motor vehicles £'000	Office equipment £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 1999	73	13	94	33	213
Additions	-	9	5	5	19
At 31 December 1999	73	22	99	38	232
Depreciation					
At 1 January 1999	26	10	74	29	139
Charge for the year	18	2	11	4	35
At 31 December 1999	44	12	85	33	174
Net book value At 31 December 1999	29	10	14	5	58
Net book value At 31 December 1998	47	3	20	4	74

9 Stocks

	1999 £'000	1998 £'000
Finished goods and goods for resale	-	32

NESTE CHEMICALS UK LIMITED

Notes to the financial statements (continued)

10 Debtors

	1999 £'000	1998 £'000
Trade debtors	82	415
Amounts owed by fellow group undertakings	992	426
Prepayments and accrued income	38	42
	<u>1,112</u>	<u>883</u>

11 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	40	35
Amounts owed to fellow group undertakings	572	936
Other creditors:		
- UK corporation tax payable	12	18
- other taxation and social security	601	174
- other creditors	48	20
Accruals and deferred income	10	11
	<u>1,283</u>	<u>1,194</u>

12 Deferred taxation

The amount of the unrecognised deferred taxation asset is as follows:

	1999 £'000	1998 £'000
Excess of book depreciation over tax allowances on fixed assets	14	8
Other timing differences related to current assets and liabilities	2	-
	<u>16</u>	<u>8</u>

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Notes to the financial statements (continued)

13 Called-up share capital

	1999 £'000	1998 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
10,000 ordinary shares of £1 each	10	10
	<u> </u>	<u> </u>

14 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Opening shareholders' funds	309	226
Retained profit for the year	2	83
	<u> </u>	<u> </u>
Closing shareholders' funds	311	309
	<u> </u>	<u> </u>

15 Guarantees and other financial commitments

Capital commitments

There were no capital commitments at the end of the year (1998-£Nil).

Pension arrangements

The pension charge for the year was £48,000 (1998 - £48,000), representing contributions payable in the year.

Lease commitments

The company leases certain land and buildings on a short-term operating lease that expired in March 1999. The lease is in the process of being renegotiated. The rental for the year ended 31 December 1999 on this lease was £16,000 (1998-£12,000). The company pays all insurance, maintenance and repairs of the property. The minimum annual rental under the foregoing lease is £18,000

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Notes to the financial statements (continued)

16 Ultimate parent company

The company is a subsidiary undertaking of Neste Chemicals Benelux Holding BV, incorporated in the Netherlands.

The largest group of which Neste Chemicals UK Limited is a member, and the only group company for which group accounts are drawn up, is that headed by Nordkemi Oy AB (Fin), incorporated in Finland.

The consolidated accounts of the group are available to the public and may be obtained from Snellmaninkata 13, FIN-00170, Helsinki, Finland.