ARTHUR
ANDERSEN

Neste Chemicals UK Limited

Accounts 31 December 1998
together with directors' and auditors' reports

Registered number: 2715398

Directors' report

For the year ended 31 December 1998

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1998.

Principal activities and business review

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

On 23 November 1998 the entire share capital of Neste Chemicals UK Limited was acquired by Neste Chemicals Benelux Holding BV.

Turnover decreased by 34.3% to £19 million (10 months comparable period due to structural changes) (1997 - £28.9 million) and the profit after taxation decreased to £83,000 (1997 - £141,000).

Results and dividends

Results for the year are as follows:

	£'000
Retained profit at 31 December 1997	216
Profit for the year	83
Retained profit at 31 December 1998	299

The directors do not recommend payment of a dividend.

Directors and their interests

The directors who held office during the year 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.

Directors' report (continued)

Directors' responsibilities
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.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, 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.

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.

Auditors
The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Cambridge House
37 Bramhall Lane South
Bramhall
Stockport
Cheshire
SK7 2DU

By order of the Board,

D.J. Roberts
Secretary

26 MARCH 1999

Auditors' report

London

To the Shareholders of Neste Chemicals UK Limited:

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 1, the accounts. Our responsibilities, as independent auditors, are established 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 Companies Act.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 company's state of affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS
26 March 1999

Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover	2	18,991	28,897
Cost of sales		(18,481)	(28,201)
Gross profit		510	696
Operating expenses	3	(522)	(526)
Operating (loss)/profit		(12)	170
Interest receivable and similar income		66	66
Interest payable and similar charges	4	-	(1)
Profit on ordinary activities before taxation	5	54	235
Tax on profit on ordinary activities	7	29	(94)
Profit after taxation		83	141
Dividends		-	(400)
Retained profit/(loss) for the financial year		83	(259)
Retained profit at beginning of year		216	475
Retained profit at end of year		299	216

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

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	8	74	73
Current assets			
Stocks	9	32	132
Debtors	10	883	4,353
Cash at bank and in hand		514	609
		1,429	5,094
Creditors: Amounts falling due within one year	11	(1,194)	(4,941)
Net current assets		235	153
Net assets		309	226
Capital and reserves			
Called-up share capital	13	10	10
Profit and loss account	14	299	216
Total shareholders' funds		309	226

Signed on behalf of the Board

D.J. Roberts Director

26 MARCH 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1998

1 Accounting policies

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.

a) Basis of accounting

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

b) 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.

c) 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.

d) 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.

e) 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.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Turnover

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

g) Cash flow

A cash flow statement has not been prepared as the company is exempt under the group accounts provisions of FRS 1 (revised 1996).

2 Turnover

Turnover includes £507,000 (1997: £693,000) of commission received in the capacity of agent. The remainder of all turnover relates entirely to product sales.

3 Operating expenses

	1998 £'000	1997 £'000
Administrative expenses	754	640
Distribution costs	506	623
Other operating income	(738)	(737)
	522	526

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

4 Interest payable and similar charges

	1998 £'000	1997 £'000
Bank charges	-	1

5 Profit on ordinary activities before taxation

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

	1998 £'000	1997 £'000
Auditors' remuneration		
- audit fees	7	7
- other	6	2
Depreciation and amounts written off tangible fixed assets	38	42
Operating lease rentals	12	10
Profit on disposal of fixed assets	-	(7)

Notes to accounts (continued)

6 Staff costs

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

	1998 £'000	1997 £'000
Employee costs during the year amounted to:		
Wages and salaries	152	138
Social security costs	16	13
Other pension costs (see note 16b)	48	46
	216	197

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

	1998 Number	1997 Number
Administration	8	8

Directors' remuneration

Remuneration

	1998 £'000	1997 £'000
Emoluments	57	56
Company contributions to money purchase pension schemes	32	32
	89	88

7 Tax on profit on ordinary activities

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

	1998 £'000	1997 £'000
Corporation tax at 31% (1997 - 31%)	18	87
(Over) under provision in prior year	(47)	7
	(29)	94

Notes to accounts (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					
Beginning of year	51	11	79	33	174
Additions	22	2	15	-	39
End of year	73	13	94	33	213
Depreciation					
Beginning of year	8	9	62	22	101
Charge	18	1	12	7	38
End of year	26	10	74	29	139
Net book value					
Beginning of year	43	2	17	11	73
End of year	47	3	20	4	74

9 Stocks

The following are included in the net book value of stocks:

	1998 £'000	1997 £'000
Finished goods and goods for resale	32	132

Notes to accounts (continued)

10 Debtors

The following amounts, all falling due within one year, are included in the net book value of debtors:

	1998 £'000	1997 £'000
Trade debtors	415	4,284
Amounts owed by fellow group undertakings	426	-
Prepayments and accrued income	42	56
ACT recoverable	-	13
	883	4,353

11 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1998 £'000	1997 £'000
Trade creditors	35	80
Amounts owed to fellow group undertakings	936	4,375
Other creditors:		
- UK corporation tax payable	18	-
- other taxation and social security	174	415
- other creditors	20	30
Accruals and deferred income	11	41
	1,194	4,941

12 Deferred taxation

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

	1998 £'000	1997 £'000
Excess of book depreciation over tax allowances on fixed assets	8	8
Other timing differences related to current assets and liabilities	-	-
	8	8

Notes to accounts (continued)

13 Called-up share capital

	1998 £'000	1997 £'000
Authorised, allotted, called-up and fully paid		
10,000 ordinary shares of £1 each	10	10

14 Reserves

Of total reserves shown in the balance sheet, all are regarded as distributable.

15 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Opening shareholders' funds	226	485
Retained profit (loss) for the year	83	(259)
Closing shareholders' funds	309	226

16 Guarantees and other financial commitments

a) Capital commitments

There were no capital commitments at the end of the year (1997 - £Nil).

b) Pension arrangements

The pension charge for the year was £48,000 (1997 - £46,000), representing contributions payable in the year.

c) Lease commitments

The company leases certain land and buildings on a short-term operating lease expiring in March 1999. The rental for the year ended 31 December 1998 on this lease was £12,000 (1997 - £10,000). The company pays all insurance, maintenance and repairs of the property. The minimum annual rental under the foregoing lease is £12,000.

17 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 Fortum Oyj, 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.