

ICO (UK) Limited

Directors' Report And Financial Statements
(Registered Number: 3261137)

30 September 1997



ICO (UK) Limited

Directors

SB Grant
TJM Verhoeff
AD Pacholder
SAH Pacholder
JS Kliene

Secretary

TJM Verhoeff

Auditors

Price Waterhouse
Victoria House
76 Milton Street
Nottingham
NG1 3QY

Solicitors

Tallents Godfrey & Co
3 Middlegate
Newark
Notts
NG24 1AQ

Registered Office

Victoria House
76 Milton Street
Nottingham
NG1 3QY

ICO (UK) Limited

Director's Report For The Period Ended 30 September 1997

The directors submit their report and audited financial statements of ICO (UK) Limited for the period from incorporation to 30 September 1997.

Review Of The Business

The company was incorporated on 9 October 1996.

The company is a holding company and as such has not traded during the year. The principal activity of its subsidiary companies is providing custom particle size reduction services for plastics and non plastic materials.

Directors And Their Interests

The directors who served during the period were as follows:

D Redding	(Appointed 9 October 1996, resigned 9 October 1996)
SB Grant	(Appointed 9 October 1996)
TJM Verhoeff	(Appointed 9 October 1996)
DA Pacholder	(Appointed 9 October 1996)
SAH Pacholder	(Appointed 9 October 1996)
JS Kliene	(Appointed 19 June 1997)

D Redding held one ordinary share in the company from the date of incorporation until 9 October 1996. No other directors hold beneficial interests in the shares of the company at 30 September 1997, or at any time during the period.

Dr A Pacholder is also a director of the company's ultimate holding company. His interests in the share capital of that company are shown in that company's accounts.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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.

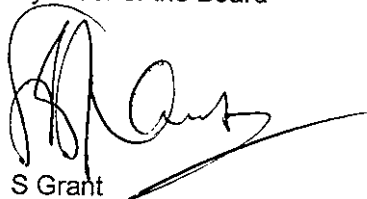
ICO (UK) Limited

Director's Report For The Period Ended 30 September 1997 (Continued)

Auditors

The directors appointed Price Waterhouse as auditors to fill the initial vacancy. Price Waterhouse are willing to continue in office, and a resolution proposing their election and authorising the directors to fix their remuneration will be put to the annual general meeting.

By order of the Board



S Grant
Secretary

2 December 1997

Price Waterhouse



Report Of The Auditors To The Members Of ICO (UK) Limited

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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 affairs of the company as at 30 September 1997 and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors
NOTTINGHAM

2 December 1997

ICO (UK) Limited

Balance Sheet - 30 September 1997

	1997 £
FIXED ASSETS	
Investments - shares in group undertakings (Note 3)	4,089,619
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EQUITY SHAREHOLDERS' FUNDS	
Called up share capital (Note 5)	1,193,906
Share premium (Note 6)	<u>2,895,713</u>
	4,089,619
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Approved by the board on 2 December 1997 and signed on its behalf:


S Grant
Director

The accompanying notes are an integral part of these accounts.

Movement In Shareholders' Funds For The Period Ended 30 September 1997

	1997 £
Proceeds of issue of share capital	4,089,619
Opening shareholders' funds	<hr/>
Closing shareholders' funds	4,089,619
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Notes To The Accounts - At 30 September 1997

1 ACCOUNTING POLICIES

Accounting convention

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that it is probable that a liability will crystallise, calculated at the rate at which it is estimated that tax will be payable. Deferred tax assets are not recognised.

Cash flow statement

The company has taken advantage of the exemptions given under Financial Reporting Standard 1 to small companies in not producing a cash flow statement.

Group accounts

The company has not produced group accounts on the basis that it is exemption under the provision of the Companies Act 1984, Section 248. The information in these financial statements therefore relates to the company and not to the consolidated results.

ICO (UK) Limited

Notes To The Accounts - At 30 September 1997 (Continued)

2 DIRECTORS' REMUNERATION

Directors' remuneration from the company was £Nil.

3 INVESTMENTS

The company's investments are stated at cost and consist of 100% of the share capital of the following companies:

Name	Nature of business
Wedco Technology UK Limited	Particle size reduction services
Rotec Chemicals Limited	Manufacture of plastics colour and additive masterbatches and plastic compounds
ICO Polymers (UK) Limited	Particle size reduction services and colouring

Consolidated accounts are not prepared as the group does not meet the limits for a medium group as stated in the Companies Act.

4 ACQUISITIONS

During the year the company purchased two businesses, Wedco Technology UK Limited and Rotec Chemicals Limited from a fellow subsidiary for a total consideration of £3,770,640 and invested £318,978 in ICO Polymers (UK) Limited on the setting up of a new company. Set out below is a summary of the profit and loss accounts for each acquisition from the date of acquisition to 30 September 1997.

	Wedco £	ICO Polymers £	Rotec £
Turnover	2,630,297	3,031,901	3,134,261
Operating profit	477,030	51,911	142,091
Profit before taxation	410,353	34,319	128,697
Taxation	(127,093)	(13,352)	(52,895)
Profit after taxation	283,260	20,967	75,802

The three companies were acquired on the following dates:

Wedco:	10 April 1997
ICO Polymers:	16 October 1996
Rotec:	30 April 1997

ICO (UK) Limited

Notes To The Accounts - At 30 September 1997 (Continued)

4 ACQUISITIONS (continued)

The net assets acquired on acquisition of Wedco and Rotec were as follows:

	Wedco £	Rotec £
Book Value		
Intangible fixed assets	9,583	-
Tangible fixed assets	3,884,981	768,774
Stock	271,161	445,936
Debtors	926,304	1,555,665
Creditors	(1,309,068)	(1,359,216)
Provisions	(281,673)	(52,700)
Net debt	(1,084,291)	(459,584)
 Net assets acquired	 2,416,997	 898,875
Non-compete agreement	-	329,513
	<hr/>	<hr/>
Consideration	874,926	2,895,714
	<hr/>	<hr/>
Satisfied by - shares issued	874,926	2,895,714
	<hr/>	<hr/>

5 SHARE CAPITAL

	1997
Authorised - 10,000,000 ordinary shares of £1 each	£10,000,000
Allotted, issued and fully paid:	
1,193,906 £1 ordinary shares	£1,193,906
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The company issued one £1 ordinary share for par on incorporation. On 10 March 1997 the authorised share capital of the company was increased by £1,999,900 to £2,000,000 by the creation of 1,999,900 £1 ordinary shares ranking pari passu with the existing share capital of the company. This was subsequently increased to £10,000,000 on 21 April 1997 by the creation of a further 8,000,000 £1 ordinary shares ranking pari passu with the existing shares.

During the period the company issued the following shares:

16 October 1996 - 318,978 for cash

10 April 1997 - 874,926 in consideration for 100% of the issued share capital of Wedco Technology UK Limited

30 April 1997 - 1 in consideration for 100% of the issued share capital of Rotec Chemicals Limited

ICO (UK) Limited

Notes To The Accounts - At 30 September 1997 (Continued)

6 RESERVES

	<u>Share Premium</u> £
On issue of ordinary shares	<u>2,895,713</u>
At 30 September 1997	<u>2,895,713</u>

7 RELATED PARTY TRANSACTIONS

In accordance with the exemptions given to 90% subsidiary companies by Financial Reporting Standard 8 no disclosure of group transactions is made.

8 ULTIMATE PARENT COMPANY

The directors regard ICO Inc, a company registered and incorporated in the United States of America as the ultimate parent company. Copies of the ultimate parent company's consolidated financial statements may be obtained from:

The Company Secretary
ICO Inc
11490 Westheimer Suite
Houston
Texas
77077