

Dynea Aycliffe Limited
Annual report and accounts
for the year ended 31 December 2005

Registered Number 3762574



Dynea Aycliffe Limited

Annual report and accounts

for the year ended 31 December 2005

Contents

Directors and Advisors for the year ended 31 December 2005	1
Directors' report for the year ended 31 December 2005	2
Independent auditors' report to the members of Dynea Aycliffe Limited	4
Profit and loss account for the year ended 31 December 2005	5
Balance sheet as at 31 December 2005	6
Statement of accounting policies	7
Notes to the financial statements for the year ended 31 December 2005	9

Dynea Aycliffe Limited

Directors and Advisors for the year ended 31 December 2005

Directors

R Charles

J Machin

J Ylinen

Secretary

D Green

Independent auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Bankers

Skandinaviska Enskilda Banken

2 Cannon Street

London

EC4M 6XX

Solicitors

Latimer Hinks

5 - 8 Priestgate

Darlington

County Durham

DL1 1NL

Registered Office

Aycliffe Industrial Park

Newton Aycliffe

County Durham

DL5 6UE

Dynea Aycliffe Limited

Directors' report for the year ended 31 December 2005

The directors present their report and audited financial statements of the company for the year ended 31 December 2005.

Principal activity and review of the business

The principal activities of the company during the year continued to be the manufacture and distribution of resins.

The company is in a good position to take advantage of any opportunities that may arise.

Results and dividends

No interim dividend was paid (2004: £nil). No final dividend is proposed for the year ended 31 December 2005 (2004: £nil).

Directors and their interests

The directors who served during the period were as follows:

R Charles

J Machin

J Ylinen

The directors had no interests which were required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

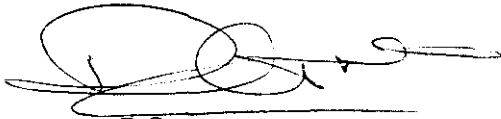
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dynea Aycliffe Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'D Green', written over a horizontal line.

D Green

27 October 2006

Dynea Aycliffe Limited

Independent auditors' report to the members of Dynea Aycliffe Limited

We have audited the financial statements of Dynea Aycliffe Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

27 October 2006

Dynea Aycliffe Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	1	17,302	14,750
Cost of sales		(15,406)	(13,232)
Gross profit		1,896	1,518
Net operating expenses		(1,391)	(1,810)
Other operating income	2	283	305
Operating profit		788	13
Interest payable	3	(263)	(222)
Profit/ (loss) on ordinary activities before taxation		525	(209)
Tax on loss on ordinary activities	6	(130)	17
Profit/(loss) for the financial year	14	395	(192)

All activities of the company are continuing.

Recognised gains and losses

There are no other recognised gains and losses in either year.

Historical cost profits and losses


There is no difference between the reported profits and the historical cost profits in either year.

Dynea Aycliffe Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	7	4,954	4,789
Current assets			
Stocks	8	661	722
Debtors	9	2,446	2,268
Cash		162	42
		3,269	3,032
Creditors: amounts falling due within one year	10	(6,266)	(6,364)
Net current liabilities		(2,997)	(3,332)
Total assets less current liabilities		1,957	1,457
Provisions for liabilities and charges	11	(130)	-
Accruals and deferred income	12	(75)	(100)
Net Assets		1,752	1,357
Capital and reserves			
Called up equity share capital	13	2,000	2,000
Profit and loss account	14	(248)	(643)
Equity shareholders' funds	14	1,752	1,357

The financial statements on pages 5 to 16 were approved by the board of directors on 27 October 2006 and were signed on its behalf by



R Charles

Director

Statement of accounting policies

Fundamental accounting concept

The company had an excess of current liabilities over current assets of £2,997,000 at the balance sheet date.

The company is dependent on the continuing financial support of its parent undertaking. The directors consider it appropriate to prepare the accounts on the going concern basis because the parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due and to continue trading.

No adjustments have been made to reflect any write down of assets to net realisable value, to provide for any further liabilities which may arise or to reclassify fixed assets and long term liabilities as current assets and current liabilities, as might be necessary were continuing financial support not to be available and the going concern basis found not to be valid.

Basis of preparation

The financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Cash flow statement

In accordance with Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is included in the consolidated accounts of its ultimate parent company as at the year end, Dynea Oy, which are publicly available.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land or assets in the course of construction, at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings	- 4 - 5% per annum
Plant and machinery	- 4 - 33.3% per annum
Fixtures, fittings, tools and equipment	- 10 - 33.3% per annum

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

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, as follows:

Raw materials, consumables and goods for resale	-	purchase cost, on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour, plus 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.

Dynea Aycliffe Limited

Research and development costs

Research and development costs are charged to the profit and loss account in the financial period in which they are incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the exception of deferred tax assets. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Pensions

During the year the company participated in the Dynea Aycliffe UK Personal Pension Plan (formerly the Perstorp Chemitec UK Personal Pension Plan), funded on the defined contribution principle. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Operating leases

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

**Notes to the financial statements
for the year ended 31 December 2005**

1 Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2005	2004
	£'000	£'000
United Kingdom	8,563	7,328
Europe	7,552	6,552
United States of America	80	75
Rest of the World	1,107	795
	17,302	14,750

2 Operating profit

Operating profit is stated after charging / (crediting):

	2005	2004
	£'000	£'000
Depreciation - owned assets	294	292
Auditors' remuneration- audit services	16	15
- non-audit services	4	4
Operating lease rentals	78	77
Research and development	450	481
Government grants released	(25)	(25)

3 Interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on other loans	263	222

4 Directors' emoluments

	2005	2004
	£'000	£'000
Aggregate emoluments	216	198
Company contributions paid in respect of money purchase benefits	26	24
	242	222

The total amount of emoluments paid to the highest director was £132,000 inclusive of benefits in kind.

5 Staff costs

	2005	2004
	£'000	£'000
Wages and salaries	1,661	1,607
Social security costs	179	202
Other pension costs	175	166
	2,015	1,975

The monthly average number of employees during the year, excluding directors, were as follows:

	2005 Number	2004 Number
Production	32	32
Sales and administration	21	21
	53	53

6 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2005	2004
	£'000	£'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	130	(17)
Tax on profit on ordinary activities	130	(17)

b) Factors affecting tax charge for the year

	2005	2004
	£'000	£'000
Profit/(loss) on ordinary activities before tax	525	(209)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	158	(63)
Effects of:		
Short term timing differences	(7)	(7)
Expenses not deductible for tax purposes	9	6
Capital allowances in excess of depreciation	83	83
Utilisation of tax losses	(243)	(19)
Current tax charge for the year	-	-

c) Factors that may affect future tax charges

There are no factors which are expected to have a material impact on future tax charges.

7 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2005	839	5,998	167	71	7,075
Additions	-	59	111	289	459
At 31 December 2005	839	6,057	278	360	7,534
Depreciation:					
At 1 January 2005	452	1,712	122	-	2,286
Charge for the year	59	215	20	-	294
At 31 December 2005	511	1,927	142	-	2,580
Net book value					
At 31 December 2005	328	4,130	136	360	4,954
At 31 December 2004	387	4,286	45	71	4,789

8 Stocks

	2005 £'000	2004 £'000
Raw materials and consumables	137	192
Finished goods and goods for resale	524	530
	661	722

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

9 Debtors

	2005 £'000	2004 £'000
Trade debtors	1788	1,748
Amounts owed by group undertakings	399	317
Other debtors	134	96
Prepayments and accrued income	125	107
	2,446	2,268

10 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	2,377	2,419
Amounts owed to group undertakings	3,274	3,283
Other taxes and social security costs	53	53
Other creditors and accruals	547	584
Deferred income (note 12)	25	25
	6,266	6,364

Amounts owed to group undertakings includes £3,196,000 classified as a short term loan and is repayable upon demand. The loan is interest bearing at a 1 year GBP LIBOR rate plus 4.20% - 4.25%.

11 Provisions for liabilities and charges

	Provided		Not provided	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Accelerated capital allowances	473	535	-	-
Other timing differences	(30)	(37)	-	-
Losses	(313)	(498)	-	(39)
	130	-	-	(39)

	Deferred taxation £'000
At 1 January 2005	-
Transfer to profit and loss account (Note 6)	130
At 31 December 2005	130

12 Accruals and deferred income

	Deferred government grants	
	2005	2004
	£'000	£'000
At 1 January 2005	125	150
Released during the year	(25)	(25)
At 31 December 2005	100	125
Due within one year (note 10)	25	25
Due after more than one year	75	100
	100	125

13 Equity share capital

	Authorised		Allotted, called up and fully paid	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each	2,000	2,000	2,000	2,000

14 Reconciliation of equity shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2005	2,000	(643)	1,357
Profit for the financial year	-	395	395
At 31 December 2005	2,000	(248)	1,752

15 Other financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	2005 £'000	2004 £'000
Operating leases that expire:		
Within one year	16	-
In two to five years	32	63
After more than five years	7	11
	55	74

16 Contingent liabilities

The company had a £50,000 guarantee in existence with HM Customs and Excise at 31 December 2005.

17 Pension commitments

The Dynea Aycliffe UK Personal Pension Plan is funded on the defined contribution principle.

The cost of contributions to the group scheme amount to £175,038 (2004: £158,982), being 6% - 16% of the individual members pensionable salary.

An amount of £nil is included within creditors being the outstanding contributions due to the Dynea Aycliffe UK Personal Pension Plan.

18 Parent undertaking and controlling party

The company is a wholly owned subsidiary of Dynea Holding BV, which is incorporated in Holland. In the directors' opinion, the company's ultimate parent undertaking and controlling party at 31 December 2005 is Dynea Oy, which is incorporated in Finland. Dynea Oy is the smallest and largest group to consolidate these financial statements. Copies of its group accounts, which include Dynea Aycliffe Limited, are available from the company's registered office, Aycliffe Industrial Park, Newton Aycliffe, County Durham, DL5 6UE.

As permitted by FRS8 "Related Party Disclosures" the financial statements do not disclose transactions with the parent company and fellow subsidiaries as over 90% of the voting rights are controlled within the group.