

Dynea Aycliffe Limited
Annual report and accounts
for the year ended 31 December 2003

Registered Number 3762574



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for the year ended 31 December 2003
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Dynea Aycliffe Limited

Directors and Advisors for the year ended 31 December 2003

Directors

R Charles

J Machin

J Ylinen

Secretary

D Green

Independent auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

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 2003

The directors present their report and audited financial statements of the company for the year ended 31 December 2003.

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 (2002: £nil). No final dividend is proposed for the year ended 31 December 2003 (2002: £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 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 2003 and that applicable accounting standards have been followed.

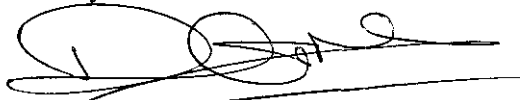
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Dynea Aycliffe Limited

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company 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

31 January 2005

Dynea Aycliffe Limited

Independent auditors' report to the members of Dynea Aycliffe Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. 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 in to 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 transactions is not disclosed.

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 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 the company's affairs at 31 December 2003 and of its loss 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

31 January 2005

Dynea Aycliffe Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	13,256	11,822
Cost of sales		(10,830)	(9,735)
Gross profit		2,426	2,087
Net operating expenses		(2,427)	(2,566)
Other operating income		225	793
Operating profit		224	314
Interest payable	3	(241)	(234)
(Loss)/profit on ordinary activities before taxation		(17)	80
Tax on (loss)/profit on ordinary activities	6	7	(24)
(Loss)/profit for the financial year	14	(10)	56

All activities of the company are continuing.

Recognised gains and losses

There are no recognised gains and losses for the year other than the loss for the year of £25,000 (2002: profit £56,000).

Historical cost profits and losses

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

Dynea Aycliffe Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	4,883	4,838
Current assets			
Stocks	8	555	512
Debtors	9	2,194	2,558
Cash		73	349
		2,822	3,419
Creditors: amounts falling due within one year	10	(6,044)	(6,524)
Net current liabilities		(3,222)	(3,105)
Total assets less current liabilities		1,661	1,733
Provisions for liabilities and charges	11	(17)	(24)
Accruals and deferred income	12	(95)	(150)
Net Assets		1,549	1,559
Capital and reserves			
Called up equity share capital	13	2,000	2,000
Profit and loss account	14	(451)	(441)
Equity shareholders' funds	14	1,549	1,559

The financial statements on pages 5 to 16 were approved by the board of directors on 31 January 2005 and were signed on its behalf by



R Charles

Director

Dynea Aycliffe Limited

Accounting policies

Fundamental accounting concept

The company had an excess of current liabilities over current assets of £3,222,000 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.

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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 lease

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

Dynea Aycliffe Limited

Notes to the financial statements for the year ended 31 December 2003

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:

	2003 £'000	2002 £'000
United Kingdom	5,432	5,213
Europe	6,836	5,919
United States of America	41	2
Rest of the World	947	688
	13,256	11,822

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging / (crediting):

	2003 £'000	2002 £'000
Depreciation	248	267
Auditors' remuneration- audit services	14	14
- non-audit services	6	5
Operating lease rentals - equipment	60	98
Research and development – current year	404	232
Government grants released	(55)	(55)

Dynea Aycliffe Limited

3 Interest payable and similar charges

	2003	2002
	£'000	£'000
Bank loans and overdrafts	241	234

4 Directors' emoluments

	2003	2002
	£'000	£'000
Aggregate emoluments	189	164
Company contributions paid in respect of money purchase benefits	22	20
	211	184

5 Staff costs

	2003	2002
	£'000	£'000
Wages and salaries	1,588	1,707
Social security costs	155	188
Other pension costs	137	159
	1,880	2,054

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

	2003 Number	2002 Number
Production	35	34
Sales and administration	23	28
	58	62

Dynea Aycliffe Limited

6 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2003	2002
	£'000	£'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(7)	24
Tax on profit on ordinary activities	(7)	24

b) Factors affecting tax charge for the year

	2003	2002
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(17)	80
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(5)	24
Effects of:		
Short term timing differences	(17)	(29)
Expenses not deductible for tax purposes	12	12
Capital allowances in excess of depreciation	(133)	(165)
Utilisation of tax losses	143	158
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.

Dynea Aycliffe Limited

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 2003	839	5,347	141	257	6,584
Additions	-	-	-	293	293
Disposals	-	-	-	-	-
Transfers	-	520	20	(540)	-
At 31 December 2003	839	5,867	161	10	6,877
Depreciation:					
At 1 January 2003	327	1,335	84	-	1,746
Charge for the year	63	169	16	-	248
Disposals	-	-	-	-	-
At 31 December 2003	390	1,504	100	-	1,994
Net book value					
At 31 December 2003	449	4,363	61	10	4,883
At 31 December 2002	512	4,012	57	257	4,838

8 Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	78	88
Finished goods and goods for resale	477	424
	555	512

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

Dynea Aycliffe Limited

9 Debtors

	2003 £'000	2002 £'000
Trade debtors	1,873	1,833
Amounts owed by group undertakings	147	434
Other debtors	99	128
Prepayments and accrued income	75	163
	2,194	2,558

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	1,738	1,784
Amounts owed to group undertakings	3,626	4,133
Other taxes and social security costs	59	55
Other creditors and accruals	566	497
Deferred income (note 12)	55	55
	6,044	6,524

Amounts owed to group undertakings includes £3,591,798 classified as a short term loan and is repayable on demand.

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11 Provisions for liabilities and charges

	Provided		Not provided	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Accelerated capital allowances	760	627	-	-
Other timing differences	(44)	(61)	-	-
Losses	(699)	(542)	-	-
	17	24	-	-

	Deferred taxation £'000
At 1 January 2003	24
Transfer to profit and loss account (Note 6)	(7)
At 31 December 2003	17

12 Accruals and deferred income

	Deferred government grants	
	2003	2002
	£'000	£'000
At 1 January 2003	205	260
Released during the year	(55)	(55)
At 31 December 2003	150	205
Due within one year (note 10)	55	55
Due after more than one year	95	150
	150	205

Dynea Aycliffe Limited

13 Equity share capital

	Authorised		Allotted, called up and fully paid	
	2003	2002	2003	2002
	£'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 2002	2,000	(441)	1,559
Loss for the financial year	-	(10)	(10)
At 31 December 2003	2,000	(451)	1,549

15 Other financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	2003 £'000	2002 £'000
Operating leases that expire:		
Within one year	13	77
In two to five years	29	21
	42	98

16 Contingent liabilities

The company had a £50,000 guarantee in existence with HM Customs and Excise at 31 December 2003.

Dynea Aycliffe Limited

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 £158,982 (2002: £179,000), 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 2003 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, formerly Perstorp Chemitec 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.