ARTHUR
ANDERSEN

Bostik Limited

Financial statements for the year ended
31 December 1997
together with directors' and auditors' reports

Registered number: 68328

Directors' report
For the year ended 31 December 1997

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 1997.

Principal activity and business review
The principal activity of the company continues to be the manufacture of adhesives, sealants and other chemicals.

The company continues to develop business in the consumer and industrial market place, in both its domestic and export markets.

Results and dividends
The company's results were as follows:

	£
Retained earnings brought forward	2,809,474
Profit for the financial year	2,534,313
Transfer from revaluation reserve	99,195
Retained earnings carried forward	5,442,982

The directors do not recommend the payment of a dividend (1996: £nil).

Research and development
Research and development activities, involving new product invention and production service functions are undertaken by the company.

Post balance sheet event
On 31 January 1998 the company acquired certain trade and assets of Mydrin UK Limited for a total consideration of £25,504,000.

Directors and their interests
The directors who served during the year and subsequently are as shown below.

D R Leake	(resigned 31 October 1997)
A D Paterson	(resigned 22 April 1997)
H Murray	
G W Thomas	
A J Clare-Hay	(resigned 28 September 1998)
A J Eyles	(resigned 13 February 1998)
K Charlesworth	(appointed 28 February 1998)
J W Rushton	(appointed 28 February 1998)
C L Wilkinson	(appointed 28 February 1998)
G E Digby	(appointed 28 February 1998)

Directors' report (continued)

No director had any interests in shares of the company which require disclosure in accordance with Section 234 of the Companies Act 1985.

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. 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 financial statements; 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 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.

Auditors

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

Ulverscroft Road
Leicester
LE4 6BW

By order of the Board

K J Charlesworth

K Charlesworth

Secretary

19 October 1998

Auditors' report

Birmingham

To the Shareholders of Bostik Limited:

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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 at 31 December 1997 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 Victoria Square
Birmingham
B1 1BD

19 October 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	24,860,450	24,235,354
Cost of sales		(16,830,121)	(17,004,282)
Gross profit		8,030,329	7,231,072
Other operating expenses (net)	3	(5,361,196)	(5,721,425)
Operating profit		2,669,133	1,509,647
Profit on dissolution of subsidiary and associated undertakings	11	26,371	118,929
Investment income	4	33,823	3,546
Interest payable and similar charges	5	(193,271)	(164,923)
Profit on ordinary activities before taxation	6	2,536,056	1,467,199
Tax on profit on ordinary activities	8	(1,743)	-
Retained profit for the financial year	18	2,534,313	1,467,199

There are no recognised gains and losses in either year other than the profit for each financial year.

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

Note of historical cost profits and losses

For the year ended 31 December 1997

	1997 £	1996 £
Reported profit on ordinary activities before taxation	2,536,056	1,467,199
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	99,195	99,195
Historical cost profit on ordinary activities before taxation	2,635,251	1,566,394
Historical cost retained profit for the financial year	2,635,251	1,566,394

The accompanying notes are an integral part of this note of historical cost profits and losses.

Balance sheet

31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Intangible assets	9	445,431	20,000
Tangible assets	10	14,560,600	11,959,984
Investments	11	-	40,000
		15,006,031	12,019,984
Current assets			
Stocks	12	2,901,972	2,904,400
Debtors	13	4,617,439	4,840,671
Cash at bank and in hand		1,227,993	1,208,815
		8,747,404	8,953,886
Creditors: Amounts falling due within one year	14	(5,886,306)	(5,097,371)
Net current assets		2,861,098	3,856,515
Total assets less current liabilities		17,867,129	15,876,499
Creditors: Amounts falling due after more than one year	15	(2,100,000)	(2,600,000)
Provisions for liabilities and charges	16	(123,759)	(167,442)
Net assets		15,643,370	13,109,057
Capital and reserves			
Called-up share capital	17	7,882,001	7,882,001
Revaluation reserve	18	2,318,387	2,417,582
Profit and loss account	18	5,442,982	2,809,474
Shareholders' funds - all equity	19	15,643,370	13,109,057

Signed on behalf of the Board

H Murray Director

H Murray

19 October 1998

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

Notes to financial statements

For the year ended 31 December 1997

1 Accounting policies

A summary of the company's 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 financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings, and in accordance with applicable accounting standards.

b) Cash flow statement

The company is a wholly owned subsidiary of Total SA, registered in France. Total SA has prepared consolidated financial statements which include the results of the company for the year and which are publicly available. For this reason a cash flow statement has not been prepared.

c) Intangible and tangible fixed assets.

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 10. Other fixed assets are shown at cost.

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written-off as shown below.

Depreciation of tangible and intangible fixed assets, apart from freehold property, is calculated on the cost of the assets so as to write off the cost over the estimated useful lives in equal annual instalments over the following periods:

	Years
Covenant not to compete	7
Goodwill	15
Plant and machinery	12.5
Office machinery, fixtures and fittings	10
Computer equipment	5
Commercial vehicles	4

Depreciation of freehold buildings is calculated so as to write off the valuation over the useful lives (ranging from 20 to 45 years) in equal annual instalments.

No depreciation is provided on freehold land or assets in the course of construction.

Notes to financial statements (continued)

1 Accounting policies (continued)

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport.
Work-in-progress and finished goods	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies may be reduced wholly or in part by the surrender of losses by fellow group companies. No payments are made for such relief.

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

f) Pension costs

The company participates in a defined benefit scheme known as The Bostik (UK) Limited Pension Scheme, the assets of this scheme being held separately from those of the company. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account to ensure a constant percentage of pensionable payroll is charged over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid to independent pension schemes is shown as a separately identified liability or asset in the balance sheet.

g) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to financial statements (continued)

1 Accounting policies (continued)

h) Turnover

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

i) Research and development

Research and development expenditure is written off in the year in which it is incurred.

j) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

k) Revaluation reserve

Surpluses arising on the revaluation of individual fixed assets are credited to a revaluation reserve (see note 18). Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

2 Turnover

Geographical analysis of turnover is as follows:

	1997 £	1996 £
United Kingdom	19,050,912	18,314,508
Rest of Europe	3,491,048	3,629,437
United States	13,271	36,024
Other	2,305,219	2,255,385
	24,860,450	24,235,354

3 Other operating expenses (net)

	1997 £	1996 £
Distribution costs	3,255,536	3,493,559
Administrative expenses	2,105,660	2,227,866
	5,361,196	5,721,425

Notes to financial statements (continued)

4 Investment income

	1997 £	1996 £
Interest receivable and similar income	33,823	3,546

5 Interest payable and similar charges

	1997 £	1996 £
Bank loans and overdrafts	335	4,514
Loans from group undertakings	192,936	160,409
	193,271	164,923

6 Profit on ordinary activities before taxation

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

	1997 £	1996 £
Depreciation - Intangible fixed assets	30,124	236,000
- Tangible fixed assets	882,326	791,164
(Profit) loss on disposal of fixed assets	(730)	7,880
Research and development expenditure	457,986	505,588
Exchange gain	(22,191)	(15,904)
Hire of plant and machinery under operating leases	214,849	214,157
Other operating lease rentals	23,000	23,000
Staff costs (see note 7)	4,037,525	4,271,980
Auditors' remuneration		
- audit services	30,000	30,000

Notes to financial statements (continued)

7 Staff costs

Particulars of employees (including executive directors) are shown below.

Employee costs during the year amounted to:

	1997	1996
	£	£
Wages and salaries	3,403,479	3,636,709
Social security costs	266,691	294,608
Other pension costs (see note 20d)	367,355	340,663
	4,037,525	4,271,980

The average monthly number of employees during the year was as follows:

	1997	1996
	Number	Number
Manufacturing	86	74
Non-manufacturing	91	116
	177	190

Directors' remuneration

The remuneration of the directors was as follows:

	1997	1996
	£	£
Emoluments	304,384	330,403
Compensation for loss of office	40,125	135,037
	344,509	465,440

The company does not operate a long term incentive scheme.

Notes to financial statements (continued)

7 Staff costs (continued)

Pensions

The number of directors who were members of pension schemes was as follows:

	1997	1996
	£	£
Defined benefit schemes	6	7

No retirement benefits (1996 - £nil) were paid to directors and past directors in excess of the benefits to which they entitled.

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1997	1996
	£	£
Emoluments	79,896	57,454

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 1997 was £26,310 (1996 - £25,508)

8 Tax on profit on ordinary activities

The company's corporation tax charge has been reduced to £nil (1996 £nil) through the availability of losses surrendered by fellow group companies.

Foreign tax suffered at source totalled £1,743 (1996: £nil).

9 Intangible fixed assets

	Covenant not to compete £	Goodwill £	Total £
Cost			
Beginning of year	1,652,000	-	1,652,000
Additions	-	455,555	455,555
End of year	1,652,000	455,555	2,107,555
Depreciation			
Beginning of year	1,632,000	-	1,632,000
Charge for year	20,000	10,124	30,124
End of year	1,652,000	10,124	1,662,124
Net book value			
End of year	-	445,431	445,431
Beginning of year	20,000	-	20,000

On 29 August 1997 the company acquired goodwill to the value of £455,555 in connection with the acquisition of the trade and assets of Sharnet Limited, a division of Applied Extrusion Technologies, Inc.. The fair value of the consideration for the acquisition was £770,370, and was satisfied in full by cash.

The following table sets out the net book values of the assets acquired and their fair value to the Company:

	Book value of assets £	Fair value adjustment £	Fair value to company £
Tangible fixed assets	196,914	-	196,914
Stock0	127,160	(9,259)	117,901
Total assets	324,074	(9,259)	314,815
Goodwill arising on acquisition			455,555
Total cost of acquisition			770,370

Notes to financial statements (continued)

10 Tangible fixed assets

	Assets in course of construction £	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation				
Beginning of year	1,567,414	5,162,060	10,834,130	17,563,604
Additions	2,753,027	28,394	765,692	3,547,113
Transfers	(47,888)	47,888	-	-
Disposals	-	-	(112,934)	(112,934)
End of year	4,272,553	5,238,342	11,486,888	20,997,783
Depreciation				
Beginning of year	-	749,946	4,853,674	5,603,620
Charge for year	-	128,495	753,831	882,326
Disposals	-	-	(48,763)	(48,763)
End of year	-	878,441	5,558,742	6,437,183
Net book value				
End of year	4,272,553	4,359,901	5,928,146	14,560,600
Beginning of year	1,567,414	4,412,114	5,980,456	11,959,984

Depreciation has not been charged on freehold land, which is stated at its cost or revalued amount of £2,093,707 (1996 - £2,093,707).

On 26 January 1990, a revaluation of freehold property was undertaken by chartered surveyors on an open market value basis. The property, with a cost of £768,235, was revalued at £1,262,000. Original cost and aggregate depreciation based on cost, of land and buildings included at valuation is as follows:

	1997 £	1996 £
Cost	768,235	768,235
Aggregate depreciation based on cost	(377,877)	(371,185)
Net book value	390,358	397,050

Notes to financial statements (continued)

11 Fixed asset investments

Cost	Subsidiary undertaking £
Beginning of year	40,000
Disposals	(40,000)
End of year	-

At the beginning of the year, the company owned 100% of the 40,000 IR £1 ordinary shares of Bostik (Ireland) Limited, a company incorporated in the Republic of Ireland.

The subsidiary undertaking ceased trading on 31 December 1996 and was liquidated during 1997, generating a profit of £26,371.

12 Stocks

	1997 £	1996 £
Raw materials and consumables	877,592	704,094
Work-in-progress	115,196	505,074
Finished goods and goods for resale	1,909,184	1,695,232
	2,901,972	2,904,400

In the opinion of the directors the replacement cost of stocks is not materially different from book value.

13 Debtors

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

	1997 £	1996 £
Trade debtors	4,159,696	4,022,011
Amounts owed by group undertakings	269,756	530,697
Other debtors	53,040	69,751
Prepayments and accrued income	134,947	218,212
	4,617,439	4,840,671

14 Creditors: Amounts falling due within one year

	1997	1996
	£	£
Trade creditors	4,389,478	3,883,914
Amounts owed to group undertakings	345,541	294,026
Other creditors:		
- VAT	149,800	166,181
- social security and PAYE	106,346	117,733
Accruals and deferred income	895,141	635,517
	5,886,306	5,097,371

15 Creditors: Amounts falling due after more than one year

	1997	1996
	£	£
Loan from group undertaking	2,100,000	2,600,000

The loan is repayable no later than 7 January 2003 with earlier repayment at the discretion of the company. Interest is charged at LIBOR plus a margin of 27.5 basis points per annum.

16 Provisions for liabilities and charges

a) Pension obligations (see note 20d)

	£
Beginning of year	167,442
Transferred to profit and loss account	(43,683)
End of year	123,759

16 Provisions for liabilities and charges (continued)

b) Deferred taxation

No deferred tax has been provided as the directors have concluded, on the basis of reasonable assumptions and intentions of management, that no liability will crystallise.

The amount of unprovided deferred taxation is as follows:

	1997 £	1996 £
Accelerated capital allowances	215,396	753,258
Other timing differences	(133,976)	(91,283)
	81,420	661,975

Provision has not been made for taxes of approximately £456,000 (1996 - £569,000) that would arise if land and buildings were to be disposed of at their book values as, in the opinion of the directors, there is no likelihood of properties being disposed of in the foreseeable future giving rise to significant tax liabilities.

17 Called-up share capital

	1997 £	1996 £
Authorised:		
7,882,001 (1996 - 7,882,001) ordinary shares of £1 each	7,882,001	7,882,001
Allotted, called-up and fully paid:		
7,882,001 (1996 - 7,882,001) ordinary shares of £1 each	7,882,001	7,882,001

18 Reserves

	Revaluation reserve £	Profit and loss account £
Beginning of year	2,417,582	2,809,474
Transfer from revaluation reserve to profit and loss account	(99,195)	99,195
Retained profit for the financial year	-	2,534,313
End of year	2,318,387	5,442,982

The transfer from the revaluation reserve to the profit and loss account represents the difference between the depreciation charge for the year based on revalued amounts and the depreciation charge for the year based on cost.

Notes to financial statements (continued)

19 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Retained profit for the financial year	2,534,313	1,467,199
Opening shareholders' funds	13,109,057	11,641,858
Closing shareholders' funds	15,643,370	13,109,057

20 Guarantees and other financial commitments

a) Capital commitments

	1997 £	1996 £
Contracted for but not provided for	381,855	-

b) Contingent liabilities

	1997 £	1996 £
In respect of bonds and indemnities granted to or by banks	118,498	126,795

c) Lease commitments

The company has entered into non-cancellable operating leases in respect of property and plant and machinery. The total annual rental is £214,849 (1996 - £237,157).

The minimum annual rentals under non-cancellable operating leases are as follows:

	1997		1996	
	Property £	Plant and machinery £	Property £	Plant and machinery £
Operating leases which expire:				
- within 1 year	-	75,347	-	44,296
- within 2 - 5 years	23,000	108,909	23,000	164,113
	23,000	184,256	23,000	208,409

Notes to financial statements (continued)

20 Guarantees and other financial commitments (continued)

d) Pension arrangements

The company operates a defined benefit pension scheme providing benefits based on final pensionable salaries. The scheme is funded with the assets being held by the Trustees separately from the assets of the company. The pension costs are assessed by a qualified actuary, and are charged to the profit and loss account so as to spread those costs over employees' working lives with the company.

The most recent actuarial investigation of the scheme was carried out as at 6 April 1995, and the Projected Unit method was used. The scheme's assets were valued by discounting to the valuation date the expected income from those assets. The main assumptions used to determine the pension costs are rates of investment returns of 9% per annum, pensionable salary increases of 7% per annum, pensions increases of 3% per annum and share dividend increases of 4.5% per annum. At the investigation date, the market value of those assets was £5,567,587, and the actuarial value of those assets represented 93% of the value of the benefits that had accrued to members, after allowing for expected future increases in salaries.

During the year, the company contributed £401,032 (1996 - £383,480) to the scheme. The company contribution rate increased to 11.4% of pensionable salaries (plus expenses and lump sum death benefit insurance costs) from 1 January 1994 for 5 years. This rate is expected to decrease to 8.5% from April 2000 when the deficit is expected to be eliminated.

The pension cost for the company for the financial year ended 31 December 1997 was £367,355 (1996 - £340,663). There is a provision for pension costs of £123,759 (1996 - £167,442) in the company's balance sheet as at 31 December 1997 arising from the accumulated difference between the contributions paid to the scheme and the corresponding pension costs.

21 Ultimate parent company

The directors regard Total SA, a company registered in France as the ultimate parent company. Total SA heads the largest group in which the financial statements of the company are consolidated. Copies of the ultimate parent company's consolidated financial statements may be obtained from Tour Total, 24 Cours Michelet, 92069 Paris La Defense.

The immediate parent company is Total Oil Holdings Limited. Total Oil Holdings Limited heads the smallest group in which the financial statements of the company are consolidated. The financial statements of Total Oil Holdings Limited are available from the Registrar of Companies.

22 Related party transactions

As a subsidiary of Total SA, the company has taken advantage of the exemption in FRS 8 not to disclose transactions with other members of the group headed by Total SA on the grounds that the company is a 90% subsidiary.

23 Subsequent event

On 31 January 1998, the company acquired certain trade and assets of Mydrin UK Limited for a total consideration of £25,504,000.