

COURTAULDS INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

1998

COURTAULDS GROUP

COMPANY REGISTERED NO. 716444



COURTAULDS INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited financial statements for the year ended 31 March 1998.

PRINCIPAL ACTIVITY

The Company's business is that of a holding company within the Courtaulds group.

REVIEW OF BUSINESS

The Company continued to act as an intermediate holding company for various Courtaulds overseas interests.

FINANCIAL RESULTS AND DIVIDEND

The results for the year are dealt with in the attached Profit and Loss Account. An interim dividend of £43.3 million was paid on 4 March 1998.

DIRECTORS

The Directors of the Company, each of whom served throughout the year, are:

M J Foulsham
D A Stevens
J R Wrangham

DIRECTORS' INTERESTS

The register kept by the Company in accordance with Section 325 of the Companies Act 1985 shows that the Directors and their immediate families had the following beneficial interests in the share capital of the ultimate parent company, Courtaulds plc:

	<u>Courtaulds plc</u> <u>Ordinary Shares of 25p</u>	
	1 April 1997	31 March 1998
M J Foulsham	1,997	1,997
D A Stevens	5,000	5,000
J R Wrangham	9,163	9,163

	<u>Courtaulds plc</u> <u>Executive Share Option Scheme</u>	
	1 April 1997	31 March 1998
M J Foulsham	15,000	15,000
D A Stevens	30,000	30,000
J R Wrangham	15,000	15,000

COURTAULDS INVESTMENTS LIMITED

REPORT OF THE DIRECTORS (Continued)

Courtaulds plc Savings-Related Share Option Scheme

	1 April 1997	Granted	Exercised or lapsed	31 March 1998
M J Foulsham	4,036	6,484	4,036	6,484
D A Stevens	4,474	5,074	4,474	5,074
J R Wrangham	3,970	-	-	3,970

Courtaulds plc Long Term Incentive Scheme

	1995	1996	1997	Total at 31 March 1998
M J Foulsham	4,500	5,400	5,800	15,700
D A Stevens	-	4,600	4,900	9,500
J R Wrangham	5,500	-	-	5,500

Notes:

- Courtaulds Executive Share Option Scheme - The table shows the numbers of shares over which options were outstanding. Options were granted between June 1990 and June 1994 at prices per share between 339p and 555p and are exercisable, in general, not earlier than three nor later than ten years after the date of grant. Since 1994 no further options can be granted under this scheme.
- Courtaulds 1990 Savings-Related Share Option Scheme - The table shows the numbers of shares over which options were outstanding, and over which options were granted, exercised or lapsed during the year. Options were granted between June 1992 and June 1997 at prices per share between 266p and 444p and are exercisable on completion of three or five years' saving under a related SAYE contract.
- Courtaulds Long Term Incentive Scheme ("the LTIS") - The table shows the maximum numbers of Courtaulds ordinary shares which the relevant Director may receive pursuant to the LTIS in respect of three-year measurement periods commencing on 1 April of the years shown. Participants in the LTIS are awarded conditional rights to receive specified maximum numbers of shares by reference to their salaries and to the average share price during the preceding financial year. The number of shares ultimately received (if any) depends on performance during the 3 year measurement period, as measured by comparing the total shareholder return from Courtaulds shares with the return from shares in each of other companies that were in the FT-SE 100 index at the beginning of the measurement period. Once the number of shares each participant may receive has been determined, he is granted a zero-value option exercisable not less than 2 years, and not more than 4 years, after the end of the measurement period. The shares to satisfy these options will be provided by the Courtaulds Employee Benefit Trust, which purchases shares in the market for this purpose, and in which each participant can therefore be deemed to have an interest. The 1995 award has now lapsed.

Following the acquisition of Courtaulds plc by Akzo Nobel UK Holdings plc on 7 July 1998, the Directors no longer have any interests in Courtaulds shares either directly or through the employee share schemes referred to above. The financial benefits from the Long Term Incentive Scheme will be distributed to the Directors on 31 March 1999 or on leaving the Company, whichever is earlier.

COURTAULDS INVESTMENTS LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

An elective resolution has been passed in accordance with Section 386 of the Companies Act 1985, as amended by the Companies Act 1989, dispensing with the requirement to re-appoint auditors on an annual basis. The Directors have been granted power to fix the remuneration of the auditors.

MILLENNIUM AND EUROPEAN MONETARY UNION

The company was included in reviews conducted by the Courtaulds group as a whole of the issues which might be raised by both the year 2000 (in relation to computer systems and date-aware microchip based equipment) and by the advent of European Monetary Union in eleven European countries in January 1999. These reviews are described in more detail on page 28 of Courtaulds plc's Annual Report 1997/8. On the basis of these reviews the Board believes that adequate steps are being taken to accommodate both issues and that it is unlikely that there will be any significant adverse effect on the Company.

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Companies Act 1985 requires the Directors to prepare for each financial year financial statements which give a true and fair view of the state of affairs of the Company at the end of that year, and of the profit for the year to that date. In preparing the financial statements the Directors are also required:

- to select suitable accounting policies and apply them consistently, supported as appropriate by reasonable and prudent judgements and estimates;
- to state whether applicable accounting standards have been followed, subject to any material departures;
- 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 they have complied with these requirements in preparing the financial statements on pages 5 to 9.

The Directors' responsibilities also include:

- keeping appropriate accounting records which disclose with reasonable accuracy the financial position of the Company at any time;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

SIGNIFICANT CHANGES SINCE THE YEAR END

On 7 July 1998, the ultimate parent company, Courtaulds plc, was acquired by Akzo Nobel UK Holdings plc, a subsidiary of Akzo Nobel N.V., a company incorporated in The Netherlands.

On behalf of the Board

D A Stevens
Secretary

30 September 1998

50 George Street
London W1A 2BB

Report of the auditors to the Members of Courtaulds Investments 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 9.

Respective responsibilities of directors and auditors

As described on page 3, 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 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 31 March 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

30 September 1998

Southwark Towers
32 London Bridge Street
London SE1 9SY

COURTAULDS INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1998

	1998 £	1997 £
Income from shares in subsidiary undertakings	59,166,829	12,765,501
Interest receivable from subsidiary undertakings	19,204,334	1,638,479
Interest receivable from fellow subsidiary undertakings	338,594	27,453,706
Other interest receivable	33,505	-
Interest payable to subsidiary undertakings	(729,151)	(1,128,387)
Interest payable to fellow subsidiary undertaking	(20,074,186)	(20,138,444)
Interest payable on bank overdraft	(3,223,139)	(1,761,083)
Realisation loss on shares in group companies	(10,056)	(191,126)
Surplus on translation and revaluation of foreign currency balances (net)	1,779,323	3,791,033
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	56,486,053	22,429,679
Taxation (Note 4)	812,060	(4,141,028)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	57,298,113	18,288,651
Dividend - paid	(43,300,000)	(15,000,000)
TRANSFER TO RESERVES	13,998,113	3,288,651

RESERVES

PROFIT AND LOSS ACCOUNT

As at 31 March 1997	42,839,177
Profit for the year	13,998,113
As at 31 March 1998	56,837,290
CAPITAL CONTRIBUTION	
As at 31 March 1998 and 31 March 1997	148,695,414
TOTAL RESERVES	205,532,704

1. There were no other recognised gains or losses other than those shown in the profit and loss account.
2. All income and expenditure relates to continuing operations.
3. The profit and loss account reflects the total movement in shareholders' funds in the year.

The attached notes form part of these financial statements

COURTAULDS INVESTMENTS LIMITED

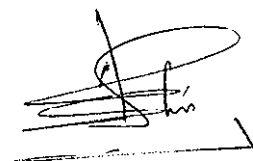
BALANCE SHEET AT 31 MARCH 1998

	1998 £	1997 £
FIXED ASSET INVESTMENTS		
Shares in subsidiary undertakings (Note 1)	477,908,428	111,197,064
Other shares (Note 2)	1	98,488,047
	<u>477,908,429</u>	<u>209,685,111</u>
CURRENT ASSETS		
DEBTORS (Note 3)	<u>177,082,397</u>	<u>381,407,002</u>
CREDITORS (amounts falling due within one year)		
Amount owing to parent undertaking	(6,786,323)	-
Amount owing to subsidiary undertakings	(8,597)	(597,177)
Bank overdraft (unsecured)	(45,315,973)	(36,638,080)
Taxation	(119,852)	(3,919,733)
Other creditors	(451,379)	(165,000)
	<u>(52,682,124)</u>	<u>(41,319,990)</u>
NET CURRENT ASSETS	<u>124,400,273</u>	<u>340,087,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>602,308,702</u>	<u>549,772,123</u>
CREDITORS (amounts falling due after more than one year)		
Amount owing to subsidiary undertakings	(8,426,465)	(12,623,508)
Amount owing to fellow subsidiary undertakings	(361,010,809)	(318,275,300)
	<u>(369,437,274)</u>	<u>(330,898,808)</u>
	<u>232,871,428</u>	<u>218,873,315</u>
SHARE CAPITAL		
Called up - allotted and fully paid		
Ordinary Shares of £1 each (Note 5)	27,338,724	27,338,724
RESERVES		
Profit and loss account	56,837,290	42,839,177
Capital Contribution	148,695,414	148,695,414
SHAREHOLDERS' FUNDS	<u>232,871,428</u>	<u>218,873,315</u>

Approved by the Board on 30 September 1998

Signed on behalf of the Board by:

D A STEVENS - DIRECTOR



The attached notes form part of these financial statements

COURTAULDS INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1998

1 SHARES IN SUBSIDIARY UNDERTAKINGS

	Total
COST	£
At 31 March 1997	121,269,614
Additions	268,340,276
Reclassified from other shares	98,488,047
Disposal	(24,739)
At 31 March 1998	<u>488,073,198</u>
PROVISION	
At 31 March 1997	10,072,550
Movement in year	92,220
At 31 March 1998	<u>10,164,770</u>
NET BOOK AMOUNT	
At 31 March 1998	<u>477,908,428</u>
At 31 March 1997	<u>111,197,064</u>

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Name of Subsidiary	Country of Incorporation	Principal Activity	Share of equity capital held by the Company (by a subsidiary) %
Courtaulds Espana SA	Spain	Fibres	100
Courtaulds Holdings BV	Netherlands	Holding company	100
Courtaulds Coatings GmbH	Germany	Coatings	(98)
Courtaulds International Ltda	Brazil	Coatings	(100)
International Paint (Nederland) BV	Netherlands	Coatings	(100)
Pinchin Johnson (Australia) Pty Ltd	Australia	Coatings	(100)
Taubmans Industries Ltd	Australia	Coatings	(100)
Courtaulds France (Holding) S.A.	France	Holding company	100
Courtaulds Fibres SA	France	Fibres	(100)
International Celomer SFPV	France	Coatings	(97)
International Paint France SA	France	Coatings	(100)
Courtaulds United States Inc	USA	Holding company	100
Cortex Holdings Inc	USA	Holding company	(100)
Courtaulds Aerospace Inc	USA	Coatings	(100)
Courtaulds Packaging Inc	USA	Packaging	(100)
Courtaulds Performance Films Inc	USA	Films	(100)
Courtaulds Finance United States Inc Inc	USA	Holding company	(100)
Courtaulds Coatings Inc	USA	Coatings	*(68)
Courtaulds Fibres Inc	USA	Fibres	(100)
International Paint of America	USA	Holding company	(100)
Courtaulds Coatings Inc	USA	Coatings	*(32)

To avoid a list of excessive length, certain subsidiary undertakings, none of which is material in relation to the Accounts are omitted. Of the subsidiaries omitted, none is incorporated in the United Kingdom. A full list of subsidiary undertakings will be submitted with the Annual Return.

At 31 March 1998, the Company was a wholly owned subsidiary undertaking of Courtaulds plc and Group accounts are not therefore prepared. The Directors state that, in their opinion, the aggregate value of the assets of the Company consisting of shares in, or amounts owing from the Company's subsidiary undertakings is not less than the aggregate of the amounts at which these assets are included in the balance sheet.

COURTAULDS INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1998 (continued)

2 OTHER SHARES

	Total £
COST AND NET BOOK AMOUNT	
At 31 March 1997	98,488,047
Reclassified as subsidiary	(98,488,047)
Addition	1
At 31 March 1998	<u>1</u>

Other shares represented a 25% holding in Courtaulds United States Inc., being the principal Courtaulds Group holding company in the USA. During the year this holding has been increased to 100% and the investment has been reclassified.

3 DEBTORS

	1998 £	1997 £
(Amounts falling due within one year)		
Amount owing by parent undertaking	-	125,158,567
Amount owing by subsidiary undertakings	15,084,125	144,945
Amount owing by fellow subsidiary undertakings	<u>26,684</u>	<u>15,513,938</u>
	<u>15,110,809</u>	<u>140,817,450</u>
(Amounts falling due in over one year)		
Amount owing by subsidiary undertakings	160,783,905	14,362,359
Amount owing by fellow subsidiary undertakings	<u>1,187,683</u>	<u>226,227,193</u>
	<u>161,971,588</u>	<u>240,589,552</u>
	<u>177,082,397</u>	<u>381,407,002</u>

Amounts falling due in over one year could be repaid in under one year by mutual consent of the parties.

4 TAXATION

	1998 £	1997 £
UK Corporation Tax at 31% (1997 33%) after deducting double taxation relief £23,034,381 (1997 £5,562,000)	3,174,468	10,711,000
Less: Advance Corporation Tax recoverable	<u>(2,860,119)</u>	<u>(6,807,000)</u>
	314,349	3,904,000
Taxation abroad	<u>164,582</u>	<u>237,028</u>
	478,931	4,141,028
Prior year adjustment	<u>(1,290,991)</u>	-
Tax (credit)/charge for year	<u>(812,060)</u>	<u>4,141,028</u>

For the year ended 31 March 1998, the Company has received the benefit of Advance Corporation Tax surrendered to it by the Parent Company for no consideration.

5 SHARE CAPITAL

At 31 March 1998 and 31 March 1997, the Company's authorised capital was 40,000,000 shares of £1 each.

6 PARENT COMPANY

The Company's joint immediate parent companies at 31 March 1998 were Courtaulds Investment Services Limited and Courtaulds Management Services Limited and its ultimate parent company was Courtaulds plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group accounts of Courtaulds plc may be obtained from The Secretary, Courtaulds plc, 50 George Street, London W1A 2BB.

As of 7 July 1998, Courtaulds plc became a subsidiary of Akzo Nobel UK Holdings plc, a subsidiary of Akzo Nobel N.V., incorporated in The Netherlands.

COURTAULDS INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1998 (continued)

7 REMUNERATION OF DIRECTORS

No emoluments were paid to the Directors by the Company during the year.

8 CASH FLOW STATEMENT

The ultimate parent company at 31 March 1998, Courtaulds plc, included a cash flow statement in its financial statements for the year ended 31 March 1998. Under paragraph 5(a) of FRS1 (Revised 1996) no cash flow statement is required for this company.

9 AUDITORS' REMUNERATION

The auditors' remuneration has been borne by the Company's parent company.

10 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary in the Courtaulds Group, advantage has been taken of the exemption provisions offered by FRS8 not to disclose any related party transactions.

STATEMENT OF ACCOUNTING POLICIES

Accounting convention

The financial statements have been drawn up under the historical cost convention and have been prepared in accordance with applicable accounting standards.

Deferred taxation

Deferred taxation is provided for to the extent that it is probable that a liability will crystallise in the foreseeable future.

Foreign currencies

Foreign currency balances have been translated into sterling at rates at which the currencies could have been sold at 31 March 1998. Exchange differences arising have been dealt with through the profit and loss account.