

Caligen Foam Limited
Annual report
for the year ended 31 December 2003

Registered Number 800311



Caligen Foam Limited
Annual report
for the year ended 31 December 2003

Contents

Directors and Advisors for the year ended 31 December 2003	1
Directors' report for the year ended 31 December 2003	2
Independent auditors' report to the members of Caligen Foam Limited	4
Profit and loss account for the year ended 31 December 2003	5
Balance sheet as at 31 December 2003	6
Accounting policies	7
Notes to the financial statements for the year ended 31 December 2003	9

Caligen Foam Limited

Directors and Advisors for the year ended 31 December 2003

Directors

Mr A France

Mr H J J van Beijeren

Secretary

Mr M R Stirzaker

Auditors

PricewaterhouseCoopers LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Registered Office

Oldham Road

Middleton

Manchester

M24 2DB

Registered Number

800311

Caligen Foam Limited

Directors' report for the year ended 31 December 2003

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

Principal activities and business review

The principal activity of the Company during the year continued to be the manufacture and conversion of polyurethane foam.

The directors believe the result to be satisfactory and believe that current levels of performance can be maintained.

Results and dividends

The profit for the year after taxation was £1,333,070 (2002: £1,280,279)

An interim dividend of £267,863 (2002: £251,359) was paid in November 2003. The directors propose a final dividend of £364,262 (2002: £350,843) in respect of the year ended 31 December 2003.

Directors and their interests

The directors who held office during the year are given below:

Mr A France

Mr H J J van Beijeren

The directors have no interests in the shares of the Company.

Mr H J J van Beijeren is a director of the parent undertaking, British Vita PLC. His interest in the shares and share options of British Vita PLC are disclosed in the consolidated accounts of that Company.

The interest of the other director in the 25p ordinary shares of the parent undertaking, British Vita PLC, are as follows:

	At 31 December 2003	At 31 December 2002
Mr A France	8,153	8,153

According to the register of directors' interests maintained under the Companies Act 1985, no rights to subscribe for shares in or debentures of British Vita PLC were granted to any of the directors or their immediate families or exercised by them during the financial year except as indicated below:

Executive scheme options outstanding

	1994	1997	1999	2000	2000	2001	2002	2003	Lapsed in year	Exercised in year	Total balance
Exercise price (pence)	230.0	218.5	255.5	225.0	168.5	161.5	232.0	242.0			
Mr A France	2,500	5,000	5,000	10,000	10,000	10,000	10,000	5,000	-	-	57,500

Options under the 1995 Executive Share Option Scheme may be exercised either wholly or in part, between the third and tenth anniversaries of the date of grant.

Savings related schemes options outstanding

	2000	2001	2002	2003	Lapsed in year	Exercised in year	Total balance
Exercise price (pence)	181.2	138.4	189.2				
Mr A France	641	1,399	803	-	-	(641)	2,202

The exercise period under the savings related schemes is either three or five years.

Caligen Foam Limited

Directors' report for the year ended 31 December 2003 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 2003 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.

Charitable contributions

Charitable contributions amounting to £652 (2002: £1,361) were made by the Company during the year.

Creditor payment policy

It is the Company's policy to comply with the payment terms agreed with suppliers. Where payment terms are not specifically negotiated, the Company endeavours to adhere to suppliers' standard terms. The Company's average creditor payment period at 31 December 2003 was 74 days (2002: 78 days).

Auditors

The directors will propose a resolution at the annual General Meeting re-appointing PricewaterhouseCoopers LLP as auditors to the Company.

By order of the Board



M R Stirzaker

Secretary

1 March 2004

Caligen Foam Limited

Independent auditors' report to the members of Caligen Foam Limited

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

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 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 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 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

Manchester

1 March 2004

Caligen Foam Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	1	25,837,616	24,620,119
Cost of sales		(19,046,468)	(17,813,102)
Gross profit		6,791,148	6,807,017
Distribution costs		(2,182,391)	(2,237,648)
Administrative expenses		(2,724,530)	(2,718,312)
Operating profit	2	1,884,227	1,851,057
Interest receivable		38,705	16,901
Interest payable and similar charges	3	-	(8,674)
Profit on ordinary activities before taxation		1,922,932	1,859,284
Tax on profit on ordinary activities	5	(589,862)	(579,005)
Profit on ordinary activities after taxation		1,333,070	1,280,279
Dividends	6	(632,125)	(602,202)
Retained profit for the financial year	14	700,945	678,077
Retained profit brought forward		1,012,980	334,903
Retained profit carried forward		1,713,925	1,012,980

Operating profit is generated from continuing operations.

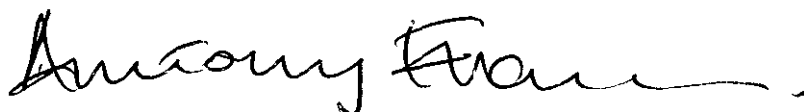
The Company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

Caligen Foam Limited

Balance sheet as at 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	7	3,481,243	3,681,172
Current assets			
Stocks	8	2,130,175	1,777,008
Debtors	9	3,270,035	3,044,801
Cash at bank and in hand		556,927	973,622
		5,957,137	5,795,431
Creditors: amounts falling due within one year	10	(5,339,587)	(5,144,680)
Net current assets		617,550	650,751
Total assets less current liabilities		4,098,793	4,331,923
Creditors: amounts falling due after more than one year	11	(24,368)	(889,368)
Provisions for liabilities and charges	12	(360,500)	(429,575)
Net assets		3,713,925	3,012,980
Capital and reserves			
Called up share capital	13	515,000	515,000
Share premium account	14	1,485,000	1,485,000
Profit and loss account	14	1,713,925	1,012,980
Equity shareholders' funds	18	3,713,925	3,012,980

The financial statements on pages 6 to 16 were approved by the board of directors on 1 March 2004 and were signed on its behalf by:



Mr A France
Director

Caligen Foam Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Research and development

Research and development costs are written off in the year of expenditure.

Tangible fixed assets

Fixed assets are shown at cost, net of depreciation and any provision for impairment. Any related government grants are reported as deferred income and amortised over the expected useful life of the asset concerned. The balance of unamortised grants is disclosed as deferred income if material.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its useful life as follows:

	%
Plant and machinery	10 – 33
Motor vehicles	16 – 25

Stocks

Stocks are stated at the lower of cost and net realisable value; cost includes appropriate production overhead expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

Employees of the Company participate in the Group defined benefit scheme. Pension costs represent the estimated regular costs of the benefits accruing during the year, adjusted to spread any variations from regular cost over the expected remaining working lives of employees, on a straight line basis.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

Caligen Foam Limited

Accounting policies (continued)

Turnover

Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) of goods and services in the normal course of business. Sales are recognised on despatch.

Leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease.

Cash flow statement

The Company is a wholly owned subsidiary of British Vita PLC, and its cash flows are included in the consolidated cash flow statement of British Vita PLC. Consequently, the Company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement.

Caligen Foam Limited

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

1 Turnover

The geographical analysis of turnover by destination is as follows:

	2003 £	2002 £
Continental Europe	8,195,250	6,714,986
United Kingdom	15,899,314	15,644,246
Rest of World	1,743,052	2,260,887
	25,837,616	24,620,119

2 Operating profit

is stated after charging / (crediting):

	2003 £	2002 £
Depreciation of tangible fixed assets:		
- owned assets	957,257	1,041,480
Loss/(profit) on disposal of fixed assets	5,320	(31,292)
Operating leases:		
- property	558,496	558,496
- plant and machinery	87,153	97,100
Research and development	87,213	86,808
Auditors' remuneration for audit services	14,420	13,000

3 Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	-	8,674

Caligen Foam Limited

4 Directors and employees

Staff costs, including directors' remuneration, were as follows:

	2003	2002
	£	£
Wages and salaries	4,670,912	4,542,280
Social security costs	440,532	392,555
Other pensions costs (see note 19)	350,673	207,935
	5,462,117	5,142,770

The average monthly number of persons, including directors, during the year was:

	2003	2002
	Number	Number
By activity		
Administration	66	69
Production	154	173
	220	242

The director's received no emoluments for services as director's in this or the preceding year. Any gains made on the exercise of share options are detailed in the director's report.

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

	2003	2002
	Number	Number
Defined benefit schemes	2	2

Caligen Foam Limited

5 Taxation

	2003 £	2002 £
Current tax		
United Kingdom corporation tax at 30% (2002: 30%)	659,750	654,196
Adjustment in respect of previous year	(813)	684
Total current tax	658,937	654,880
Deferred tax:		
Origination and reversal of timing differences	(69,075)	(76,826)
Adjustment in respect of previous years	-	951
Total deferred tax	(69,075)	(75,875)
Tax on profit on ordinary activities	589,862	579,005

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK (30%). The differences are explained as follows:

	2003 £	2002 £
Profit on ordinary activities before taxation	1,922,932	1,859,284
Tax on profit on ordinary activities at standard UK Corporation Tax rate of 30%	576,880	557,785
Net expenses not deductible for tax purposes	13,795	19,585
Capital allowances less than depreciation	69,075	76,826
Adjustment in respect of previous year	(813)	684
	658,937	654,880

It is expected that the effective rate will approximate to a standard corporation tax rate in the new financial year.

6 Dividends

	2003 £	2002 £
Ordinary dividends - paid	267,863	251,359
Ordinary dividends - proposed	364,262	350,843
Total equity dividends	632,125	602,202

Caligen Foam Limited

7 Tangible fixed assets

	Plant and machinery and motor vehicles £
Cost	
At 1 January 2003	16,190,767
Additions	711,604
Disposals	(50,866)
Group transfers	54,862
At 31 December 2003	16,906,367
Depreciation	
At 1 January 2003	12,509,595
Charge for the year	957,257
Disposals	(37,546)
Group transfers	(4,182)
At 31 December 2003	13,425,124
Net book value	
At 31 December 2003	3,481,243
At 31 December 2002	3,681,172

8 Stocks

	2003 £	2002 £
Raw materials and consumables	807,304	973,126
Work in progress	356,155	235,102
Finished goods and goods for resale	966,716	568,780
	2,130,175	1,777,008

Caligen Foam Limited

9 Debtors

	2003 £	2002 £
Trade debtors	2,501,770	2,013,040
Amounts owed by group undertakings	469,095	678,690
Prepayments and accrued income	299,170	353,071
	3,270,035	3,044,801

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	3,803,124	3,636,666
Amounts owed to group undertakings	33,582	42,472
Corporation tax	324,937	318,029
Other taxation and social security	441,267	483,614
Proposed dividend	364,262	350,843
Accruals and deferred income	372,415	313,056
	5,339,587	5,144,680

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed to group undertakings	-	800,000
Accruals and deferred income – government grants	24,368	89,368
	24,368	889,368

Caligen Foam Limited

12 Deferred taxation

	2003 £
At 1 January 2003	429,575
Movement in the year	(69,075)
At 31 December 2003	360,500

The provision for deferred taxation is in respect of accelerated capital allowances.

13 Called up share capital

	2003 £	2002 £
Authorised		
800,000 ordinary shares of 25p each	115,000	115,000
400,000 ordinary shares of £1 each	400,000	400,000
	515,000	515,000
Allotted, called up and fully paid		
800,000 ordinary shares of 25p each	115,000	115,000
400,000 ordinary shares of £1 each	400,000	400,000
	515,000	515,000

14 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2003	1,485,000	1,012,980
Profit for the year	-	700,945
At 31 December 2003	1,485,000	1,713,925

Caligen Foam Limited

15 Capital commitments

	2003 £	2002 £
Contracted for but not provided in the financial statements	110,000	107,727

16 Contingent liabilities

The Company has given guarantees to its bankers in respect of advances to certain group undertakings. The directors are of the opinion that no liability is likely to arise.

17 Operating lease commitments

The Company has annual commitments in respect of operating leases expiring as shown:

	Property		Plant and Machinery	
	2003 £	2002 £	2003 £	2002 £
Within one year	-	-	14,398	17,400
Between two and five years	-	-	47,058	35,669
After five years	558,496	558,496	-	-
	558,496	558,496	61,456	53,069

Included in the above are lease commitments to British Vita Investments Limited.

18 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	1,333,070	1,280,279
Dividends	(632,125)	(602,202)
Net increase to shareholders' funds	700,945	678,077
Opening shareholders' funds	3,012,980	2,334,903
Closing shareholders' funds	3,713,925	3,012,980

Caligen Foam Limited

19 Pension arrangements

SSAP 24

The majority of employees are eligible to join one of the schemes administered by British Vita Pensions Trustees Limited and British Vita SE&D Pension Trustees Limited which provide final salary related benefits from separately invested assets. The schemes are funded in accordance with the recommendations of the consultant actuaries, Mercer Human Resource Consulting. The members of the schemes are contracted-in to the State Earnings Related Pension Scheme but have the option of opting-out via a Rebate Only Personal Pension Scheme. All members receive an annual benefits statement, together with a copy of an annual report on the status of the appropriate scheme.

An actuarial valuation is undertaken every two years and the last valuation was performed at 31 March 2002 using the projected unit method, which is consistent with the method used for the SSAP 24 valuation. The key assumptions used were excess annual investment returns over gilt returns of 1.5% pre-retirement and 0.5% post-retirement, valuation rate of annual interest of 6.5% pre-retirement and 5.5% post-retirement, rate of annual pensionable pay of 5.2% to 6.2% and annual rate of pension increase of 3.0%. The market value of the assets was £244.8m. The schemes were funded to a level between 126% and 131% of the accrued liabilities at the date of the valuation.

The pension charge for the year was £350,673 (2002: £207,935).

FRS 17

The Group operates a defined benefit scheme. However, contributions paid by the Company will be accounted for as if the scheme were a defined contribution scheme, under paragraph 12 of FRS 17, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme.

20 Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exception under FRS8 not to disclose intra-group transactions. There have been no other related party transactions.

21 Ultimate parent undertaking

The ultimate parent company is British Vita PLC, a company incorporated in Great Britain. Copies of the British Vita PLC financial statements may be obtained from the Company Secretary, British Vita PLC, Oldham Road, Middleton, Manchester, England, M24 2DB.