

VITA INDUSTRIAL POLYMERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1990

The directors present their annual report on the affairs of the Company together with the accounts and auditors' report for the year ended 31 December 1990.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the manufacture and sale of coated fabrics, adhesives, closed cell foam products and chemical resistant elastomers.

Towards the end of 1990 the decision was made to amalgamate the activities of the Salford and Horwich sites at Salford, resulting in the closure of the Horwich site and exceptional costs of £501,158.

The Company's results for 1990 were disappointing but were due to the current economic climate and the rationalisation costs referred to above. Higher turnover and profitability are anticipated for 1991.

RESULTS AND DIVIDENDS

Results and dividends paid and proposed are as follows -

Retained profit at 31 December 1989	£1,131,442
Profit for the financial year	221,850
Ordinary dividends	
- interim paid	(448,000)
- final proposed	(374,000)
Retained profit at 31 December 1990	£ 531,292

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows -

D.N. Atkinson
F.J. Eaton

The interests of the directors in the shares of the holding company, British Vita PLC, are as follows -

Ordinary shares of 25p each

	<u>1990</u>		<u>1989</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
D. N. Atkinson	128,949	101,272	128,949	98,512

Prior year figures have been adjusted for the 1990 capitalisation issue.

The interests of F.J. Eaton in the shares of the holding company are shown in the consolidated accounts of that company.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 7 to the accounts.

PERSONNEL

Through the medium of the Vita magazine and the in-house newspaper, the Company continues to keep its employees informed on Group developments throughout the UK, Europe and Internationally. Apart from the financial extracts included therein, the full Group report and accounts and the interim statement are made available for all employees.

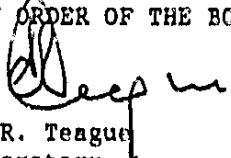
Well-established consultative committee arrangements are actively maintained, together with collective bargaining procedures with recognised Trade Unions.

The Company operates a totally non-discriminatory employment policy, part of which is the proper consideration to all applications for employment from disabled persons. Those who are appointed, together with any disabled during employment, receive with their able-bodied colleagues appropriate training for career development and promotion, consistent with their own abilities and the needs of the Company.

AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen & Co. as auditors.

BY ORDER OF THE BOARD,


A.R. Teague
Secretary

14 March 1991

ARTHUR ANDERSEN & Co.

BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M14 4U

AUDITORS' REPORT TO THE MEMBERS OF VITA INDUSTRIAL POLYMERS LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1990 and of its profit and source and application of funds for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

14 March 1991

VITA INDUSTRIAL POLYMERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
TURNOVER	1	£18,004,064	£17,146,404
Cost of sales		(15,431,307)	(13,701,312)
GROSS PROFIT		£ 2,572,757	£ 3,445,092
Distribution costs		(733,717)	(534,100)
Administrative expenses		(1,354,417)	(1,153,451)
OPERATING PROFIT	2	£ 484,623	£ 1,757,541
Interest payable and similar charges	4	(65,250)	(13,970)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		£ 419,373	£ 1,743,571
Tax on profit on ordinary activities	5	(197,523)	(590,983)
PROFIT FOR THE FINANCIAL YEAR		£ 221,850	£ 1,152,588
RETAINED PROFIT, beginning of year		1,131,442	621,154
DIVIDENDS PAID AND PROPOSED	6	(822,000)	(642,300)
RETAINED PROFIT, end of year		£ 531,292	£ 1,131,442

The accompanying notes are an integral part of these accounts.

VITA INDUSTRIAL POLYMERS LIMITED

BALANCE SHEET -- 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
FIXED ASSETS			
Tangible assets	7	£ 1,998,899	£1,720,039
		-----	-----
CURRENT ASSETS			
Stocks	8	£ 1,023,701	£ 811,057
Debtors	9	3,361,827	3,349,053
Cash at bank and in hand		811	689
		-----	-----
		£ 4,386,339	£4,160,799
CREDITORS: Amounts falling due within one year	10	(5,733,660)	(4,629,110)
		-----	-----
NET CURRENT LIABILITIES		£(1,347,321)	£ (468,311)
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 651,578	£1,251,728
PROVISIONS FOR LIABILITIES AND CHARGES	11	(20,286)	(20,286)
		-----	-----
NET ASSETS		£ 631,292	£1,231,442
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	12	£ 100,000	£ 100,000
Profit and loss account		531,292	1,131,442
		-----	-----
TOTAL CAPITAL EMPLOYED		£ 631,292	£1,231,442
		=====	=====

SIGNED ON BEHALF OF THE BOARD

D.N. Atkinson)

F.J. Eaton)

Directors

14 March 1991

The accompanying notes are an integral part of these balance sheets.

VITA INDUSTRIAL POLYMERS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>1990</u>	<u>1989</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	£ 419,373	£1,743,571
Add (deduct) items not involving the movement of funds:		
Depreciation	432,424	264,104
Profit on sale of fixed assets	(11,253)	(8,301)
	-----	-----
TOTAL FUNDS FROM OPERATIONS	£ 840,544	£1,999,374
FUNDS FROM OTHER SOURCES		
Proceeds from sale of tangible fixed assets	14,079	12,500
Transfer of tangible fixed assets to group undertakings	-	7,414
Decrease in net current assets, as shown below	951,436	-
	-----	-----
	£1,806,059	£2,019,288
	-----	-----
APPLICATION OF FUNDS		
Dividends paid	£ 666,200	£ 616,100
Taxation paid	425,749	410,386
Purchase of tangible fixed assets	714,110	699,720
Repayment of loans from group undertakings	-	150,004
Increase in net current assets, as shown below	-	143,078
	-----	-----
	£1,806,059	£2,019,288
	-----	-----
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	£ 212,644	£ (359,753)
Debtors	12,774	348,070
Creditors: due within one year	(1,092,020)	362,538
	-----	-----
	£ (866,602)	£ 350,855
Movement in net liquid funds:		
Cash at bank and in hand	122	142
Bank overdraft	(84,956)	(207,919)
	-----	-----
	£ (951,436)	£ 143,078
	-----	-----

The accompanying notes are an integral part of this statement.

VITA INDUSTRIAL POLYMERS LIMITED

ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below

a) BASIS OF ACCOUNTS

The accounts are prepared under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards.

b) TANGIBLE FIXED ASSETS

Depreciation of tangible fixed assets is provided at rates estimated to write off the cost of assets over their useful lives, the principal rates of straight-line depreciation being -

Plant and equipment	10% - 25% per annum
Motor vehicles	20% - 25% per annum

c) STOCKS

Stocks are valued at the lower of first-in, first-out cost and net realisable value. Cost includes appropriate production overhead expenses.

d) TAXATION

Taxation is provided on taxable profits at the appropriate rate.

Provision is made for deferred taxation in circumstances where there is a reasonable probability of payment in the foreseeable future. The provision is established at corporation tax rates anticipated to be in force at the time the deferred liability is expected to crystallise. Advance corporation tax which is available to reduce the corporation tax payable on future profits is carried forward and, to the extent appropriate, is deducted from the provision for deferred taxation.

e) TURNOVER

Turnover represents the net amounts invoiced to customers but excludes value added tax.

f) FOREIGN CURRENCY

Foreign currency transactions during the year and balances at the year end are translated at the appropriate contract rate or the prevailing rate of exchange at the year end. Gains and losses are dealt with in the profit and loss account.

g) PENSION COSTS

The Company operates a defined benefit scheme. Pension costs represent the estimated regular cost 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.

Further information on pension costs is provided in note 13.

h) LEASES

Rental costs under operating leases are charged to the profit and loss account over the period of the lease. Further information on charges in the year and future commitments is given in note 13.

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS -- 31 DECEMBER 1990

1. TURNOVER

Contributions to turnover by geographical area were as follows -

	<u>1990</u>	<u>1989</u>
United Kingdom	£16,456,010	£15,993,691
Europe	1,342,934	946,718
Rest of the world	205,120	205,995
	-----	-----
	£18,004,064	£17,146,404
	=====	=====

2. OPERATING PROFIT

Operating profit is stated after charging -

	<u>1990</u>	<u>1989</u>
Exceptional items:		
Rationalisation costs	£ 130,233	£ -
Depreciation	432,424	264,104
Auditors' remuneration	21,750	13,200
Hire of plant - operating leases	49,906	23,294
Research and development	5,000	5,000
Staff costs (note 3)	3,442,651	2,653,387
	=====	=====

The depreciation charge includes £97,450 in respect of accelerated depreciation. Redundancy costs of £273,475 relating to the rationalisation have been included within staff costs.

3. STAFF COSTS

Particulars of employees (including executive directors) are shown below

	<u>1990</u>	<u>1989</u>
Employee costs during the year amounted to -		
Wages and salaries	£ 2,698,236	£ 2,299,415
Social security costs	289,803	218,592
Other pension costs	181,137	125,380
Redundancy costs	273,475	-
	-----	-----
	£ 3,442,651	£ 2,653,387
	=====	=====

The average weekly number of persons employed by the Company during the year was as follows -

	<u>1990</u>	<u>1989</u>
Production	174	152
Distribution	10	10
Sales	10	10
Administration	36	35
	---	---
	230	207
	---	---

Directors' remuneration

Directors' remuneration was paid in respect of directors of the Company as follows -

	<u>1990</u>	<u>1989</u>
Emoluments including pension contributions	£ 95,854	£ 86,877
	-----	-----

The directors' remuneration shown above (excluding pensions and pension contributions) included -

Highest paid director	£ 79,933	£ 75,532
	-----	-----

No other directors received emoluments.

4. INTEREST PAYABLE AND SIMILAR CHARGES

On bank loans and overdrafts
repayable within five years,
not by instalments

£ 65,250	£ 13,970
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5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises -

	<u>1990</u>	<u>1989</u>
Corporation tax at 35% (1989 = 35%)	£ 197,523	£ 590,983
	-----	-----

6. DIVIDENDS PAID AND PROPOSED

	<u>1990</u>	<u>1989</u>
Ordinary:		
Interim paid of 448p per share (1989 = 424.1p per share)	£ 448,000	£ 424,100
Final proposed 374p per share (1989 = 218.2p per share)	374,000	218,200
	-----	-----
	£ 822,000	£ 642,300
	=====	=====

7. TANGIBLE FIXED ASSETS

	<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
COST			
Beginning of year	£2,904,046	£ 346,987	£3,251,033
Additions	686,722	27,388	714,110
Disposals	(1,045)	(26,956)	(28,001)
Group Transfers	1,097	-	1,097
	-----	-----	-----
End of year	£3,590,820	£ 347,419	£3,938,239
	-----	-----	-----
DEPRECIATION			
Beginning of year	£1,350,869	£ 180,125	£1,530,994
Charge	371,666	60,758	432,424
Disposals	(970)	(24,204)	(25,174)
Group Transfers	1,096	-	1,096
	-----	-----	-----
End of year	£1,722,661	£ 216,679	£1,939,340
	-----	-----	-----
NET BOOK VALUE			
End of year	£1,868,159	£ 130,740	£1,998,899
	=====	=====	=====

8. STOCKS

	<u>1990</u>	<u>1989</u>
Raw materials and consumables	£ 683,160	£ 469,241
Work-in-progress	104,970	86,310
Finished goods and goods for resale	235,971	255,506
	-----	-----
	£1,023,701	£ 811,057
	=====	=====

9. DEBTORS

	<u>1990</u>	<u>1989</u>
Amounts falling due within one year -		
Trade debtors	£3,044,486	£3,099,645
Amounts owed by other group undertakings	125,136	75,036
Amounts owed by related undertakings	24,321	55,936
Prepayments and accrued income:		
ACT recoverable	-	22,052
other	93,931	96,384
	-----	-----
	£3,287,874	£3,349,053

Amounts falling due after more than one year -

Prepayments and accrued income:		
ACT recoverable	£ 73,953	£ -
	-----	-----
	£3,361,827	£3,349,053
	=====	=====

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1990</u>	<u>1989</u>
Bank loans and overdrafts	£ 414,090	£ 329,134
Trade creditors	3,764,844	2,957,386
Amounts owed to other group undertakings	234,567	187,967
Amounts owed to related undertakings	1,124	2,182
Other creditors:		
UK corporation tax payable	249,457	599,749
VAT	183,354	106,062
Proposed dividend	374,000	218,200
social security and PAYE	32,621	6,953
Other creditors	736	722
Accruals and deferred income	478,867	220,755
	-----	-----
	£5,733,660	£4,629,110
	=====	=====

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the liability will crystallise.

	<u>1990</u>	<u>1989</u>
Deferred taxation	£ 20,286	£ 20,286
	=====	=====

The movement on deferred taxation comprises -

	<u>1990</u>	<u>1989</u>
Beginning of year	£ 20,286	£ 71,000
ACT recoverable	-	(50,714)
	-----	-----
	£ 20,286	£ 20,286
	=====	=====

The full potential liability for deferred taxation is as follows -

	<u>1990</u>	<u>1989</u>
Excess of tax allowances over book depreciation of fixed assets	£ 118,158	£ 183,000
	=====	=====

12. CALLED-UP SHARE CAPITAL

	<u>1990</u>	<u>1989</u>
Authorised, allotted, called-up and fully-paid:		
100,000 ordinary shares of £1 each	£ 100,000	£ 100,000
	=====	=====

13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

At the end of the year, capital commitments were -

	<u>1990</u>	<u>1989</u>
Contracted for but not provided for	£ 19,700	£ 11,400
	=====	=====

b) Contingent liabilities

The Company has jointly guaranteed the bank overdrafts of the parent company. The directors are of the opinion that no liability is likely to arise.

c) Lease commitments

The Company has entered into non-cancellable leases in respect of plant and machinery and land and buildings, the payments for which extend over a period of more than 5 years. The total annual rentals for 1990 were £49,906 and £16,000 respectively (1989 - £23,294 and £16,000 respectively). The lease agreements provide that the Company will pay all insurance, maintenance and repairs.

d) Pension arrangements

The company is a member of the British Vita PLC group scheme. Vita companies continue to provide pension benefits for certain employees by contributing to a variety of pension arrangements in addition to those provided by the state. In compliance with Statement of Standard Accounting Practice No.24 (SSAP24) 'Accounting for Pension Costs', the cost of these additional benefits is charged to the profit and loss account in the year in which they are incurred.

The majority of employees are eligible to join one of the three schemes administered by British Vita Pensions Trust Limited which provide final salary related benefits from separately invested assets. The schemes are funded in accordance with the recommendations of the consultant actuaries, William M Mercer Fraser Limited. The members of the schemes are contracted-in to the State Earnings Related Pension scheme but members have the option of contracting-out via a Rebate Only Personal Pension Scheme.

An actuarial valuation is undertaken every two years and the last valuation was performed at 31 March 1990. An outline of the results of this valuation is included in the accounts of British Vita PLC.

The pension charge for the year was £135,380 (1989 - £135,380).

14. ULTIMATE HOLDING COMPANY

The Company is a subsidiary undertaking of British Vita PLC, a company incorporated in England.