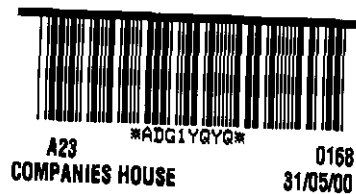


VITA INDUSTRIAL POLYMERS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1999



Company No. 900059

VITA INDUSTRIAL POLYMERS LIMITED

COMPANY INFORMATION

Directors	Mr R Dobson Mr R Wood
Secretary	Mr A R Teague
Company number	900059
Registered office	Oldham Road Middleton Manchester M24 2DB
Auditors	Arthur Andersen Bank House 9 Charlotte Street Manchester M1 4EU

VITA INDUSTRIAL POLYMERS LIMITED

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VITA INDUSTRIAL POLYMERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31st December 1999.

Principal activities and review of business

The Company's principal activity during the year continued to be the sale of coated fabrics, adhesives, closed cell foam products and chemical resistant elastomers.

The directors believe the company's performance to be satisfactory and sustainable.

Results and dividends

The profit for the year after taxation was £233,057 (1998 : £671,288).

The directors recommend the payment of dividends amounting to £143,000 (1998: £360,000).

Directors and their interests

The directors who served during the year were as follows:

Mr R Dobson
Mr R Wood

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

Mr R Dobson is a director of the parent undertaking, British Vita PLC. His interests in the shares and share options of British Vita PLC are disclosed in the consolidated accounts of that company.

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

	At 31st December 1999	At 1st January 1999
Mr R Wood	-	2,400

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

	Granted					Lapsed in year	Exercised in year	Total balance
	1994	1996	1997	1998	1999			
Adjusted price (pence)	230.0p	244.0p	218.5p	298.5p	255.5p			
Mr R Wood	3,000	5,000	10,000	10,000	5,000	-	-	33,000

VITA INDUSTRIAL POLYMERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1999

Savings related schemes options outstanding

	Granted					Lapsed	Exercised	Total
	1994	1996	1997	1998	1999	in year	in year	balance
<i>Adjusted price (pence)</i>	230.4p	165.6p	174.8p	238.8p	204.4p			
Mr R Wood	748	2,083	1,115	1,633	947	-	(748)	5,778

No director had any other interests required to be shown under Schedule 7 of the Companies Act 1985.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 for that year. In preparing those accounts, 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 accounts; and

Prepare the accounts 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 accounts 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 and political contributions

During the year the company made the following contributions:

Charitable contributions	£ 200
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No political contributions were made.

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.

VITA INDUSTRIAL POLYMERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1999

Personnel

The employees of British Vita PLC have long been regarded as one of its most important assets. The nature of the decentralised management structure creates many smaller operating units which promotes a greater sense of involvement by personnel in the success and development of 'their' business. The regular circulation of the employee newspaper 'Vitanews' ensures that all employees are kept informed of acquisitions and developments throughout the entire worldwide organisation and the British Vita PLC magazine, although primarily at the external audience of shareholders and other interested parties, is also made available to employees. Both publications carry extracts from the Annual Report and Accounts and the Interim Report, even though copies of both documents are also made available to all employees.

Employee involvement in the overall performance of British Vita PLC has been encouraged by promoting participation in the employee share option schemes since the first scheme was established in 1974. An approved savings related scheme was created in 1981 and renewed, with Inland Revenue and shareholders' approval, in 1991.

Well-established consultative committee arrangements are actively maintained, together with collective bargaining procedures with recognised Trade Unions. Procedures are also well established to safeguard the health and safety of employees and ensure compliance with appropriate legislation.

British Vita PLC operates a totally non-discriminatory employment policy, part of which is the proper consideration of all applications for employment from disabled persons.

The Board is very aware of both the commercial and social importance of training its employees and utilises an increasingly wide variety of internal and external facilities to improve the effectiveness with which staff, at all levels undertake their duties and for career development and promotion, consistent with their own abilities and the needs of their employing company.

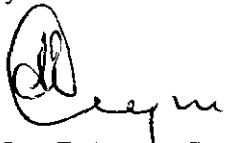
Year 2000

The Year 2000 work programme was successfully completed in the year with no major problems experienced.

Auditors

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

By order of the Board



Mr A R Teague, Secretary
6th March 2000

Oldham Road
Middleton
Manchester
M24 2DB

AUDITORS' REPORT

TO THE SHAREHOLDERS OF VITA INDUSTRIAL POLYMERS LIMITED

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1999 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU
Date: 6th March 2000

VITA INDUSTRIAL POLYMERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	12,719,857	14,536,293
Cost of sales		(10,092,539)	(11,253,043)
Gross profit		2,627,318	3,283,250
Distribution costs		(675,380)	(683,943)
Administrative expenses		(1,500,662)	(1,533,270)
Operating profit	3	451,276	1,066,037
Interest payable and similar charges	4	(117,861)	(102,105)
Profit on ordinary activities before taxation		333,415	963,932
Tax on profit on ordinary activities	6	(100,358)	(292,644)
Profit on ordinary activities after taxation		233,057	671,288
Dividends	7	(143,000)	(360,000)
Retained profit for the year	14	90,057	311,288
Retained profit brought forward		1,363,939	1,052,651
Retained profit carried forward		1,453,996	1,363,939

All amounts relate to continuing activities.

There are no recognised gains or losses in either year other than the profit for that year.

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

VITA INDUSTRIAL POLYMERS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 1999

	Notes	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	8		2,975,717		2,667,315
			<u>2,975,717</u>		<u>2,667,315</u>
Current assets					
Stocks	9	1,247,129		1,148,746	
Debtors	10	2,825,808		3,053,589	
Cash at bank and in hand		650		250	
			<u>4,073,587</u>	<u>4,202,585</u>	
Creditors: amounts falling due within one year	11	(4,795,808)		(4,759,961)	
Net current liabilities			<u>(722,221)</u>		<u>(557,376)</u>
Total assets less current liabilities			2,253,496		2,109,939
Provisions for liabilities and charges					
Deferred taxation	12		(174,500)		(121,000)
Net assets			<u>2,078,996</u>		<u>1,988,939</u>
Capital and reserves					
Share capital	13		112,500		112,500
Share premium account	14		512,500		512,500
Profit and loss account	14		1,453,996		1,363,939
Shareholders' funds	18		<u>2,078,996</u>		<u>1,988,939</u>

These accounts on pages 5 to 14 were approved by the board of directors on 6th March 2000 and signed on its behalf by:

Mr R Dobson
Director



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

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

1 Accounting policies

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

Basis of accounting

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

Research and development

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

Tangible Fixed Assets

Fixed assets are shown at cost, any related government grants being 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 expected useful life as follows:

Plant and machinery	between 10% and 25% per annum
Motor vehicles	between 20% and 25% per annum

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 purchase cost on a first-in, first-out basis, including transport, plus a reasonable proportion of production 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.

Taxation

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

Deferred taxation (which arises from differences in timing of the recognition of certain items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. However, the amount of all deferred tax, including that which will probably not reverse is shown in note 12.

Pension costs

The Company operates a 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.

Further information on pension costs is available in note 19.

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

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 the transaction is included as an exchange gain or loss in the profit and loss account.

Turnover

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

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), the Company has not prepared a cash flow statement because its parent undertaking, British Vita PLC, which is incorporated in England and Wales, has prepared consolidated accounts which include the accounts of the Company for the year and contain a consolidated cash flow statement.

2 Turnover

The geographical analysis of turnover is as follows:

	1999 £	1998 £
Europe	2,647,901	3,438,032
UK	9,726,513	10,656,283
Rest of World	345,443	441,978
	<u>12,719,857</u>	<u>14,536,293</u>

3 Operating profit

The operating profit is stated after charging or crediting:

	1999 £	1998 £
Depreciation of tangible fixed assets:		
-owned assets	436,287	391,606
Profit on disposal of fixed assets	(5,210)	(8,172)
Operating leases	157,364	146,614
Auditors' remuneration	11,000	10,750
	<u>11,000</u>	<u>10,750</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

4	Interest payable and similar charges	1999	1998
		£	£
	Interest payable on bank loans and overdrafts	<u>117,861</u>	<u>102,105</u>

5 Directors and employees

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

	1999	1998
	£	£
Wages and salaries	2,556,460	2,656,054
Social security costs	241,726	242,034
Other pension costs (see also note 19)	163,249	152,966
	<u>2,961,435</u>	<u>3,051,054</u>

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

	1999	1998
	Number	Number
Selling and distribution	16	17
Administration	15	15
Production	107	116
	<u>138</u>	<u>148</u>

Directors' remuneration

	1999	1998
	£	£
Emoluments	<u>58,220</u>	<u>66,538</u>

The above amounts do not include any gains made on the exercise of share options. One director exercised share options in the period (1998 - 1).

	1999	1998
	Number	Number
The number of directors who were members of pension schemes was as follows:		
Defined benefit schemes	<u>2</u>	<u>2</u>

Retirement benefits amounting to £nil (1998 - £nil) were paid to directors and past directors in excess of the benefits to which they were entitled on the date retirement benefits first became payable.

Highest paid director

	1999	1998
	£	£
Emoluments	<u>58,220</u>	<u>58,536</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 1999 was £13,873 (1998 - £12,290) with a net increase in transfer value of £14,473. Life assurance of four times salary is also provided for directors.

The above remuneration figures do not include any amount for the value of share options granted to or exercised by directors, details of which are given in the directors' report.

6 Taxation

	1999 £	1998 £
Based on the profit for the year:		
UK corporation tax at 30.25% (1998: 31%)	53,441	246,987
Deferred tax charge	53,500	50,000
	<hr/> 106,941	<hr/> 296,987
Prior periods		
UK corporation tax	(6,583)	(4,343)
	<hr/> 100,358	<hr/> 292,644

7 Dividends

	1999 £	1998 £
Ordinary dividends - paid	104,000	204,000
Ordinary dividends - proposed	39,000	156,000
	<hr/> 143,000	<hr/> 360,000

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

8 Tangible fixed assets

	Plant and machinery and motor vehicles
Cost	£
At 1st January 1999	6,741,827
Additions	772,696
Disposals	(90,167)
At 31st December 1999	7,424,356
Depreciation	
At 1st January 1999	4,074,512
Charge for the year	436,287
Disposals	(62,160)
At 31st December 1999	4,448,639
Net book value	
At 31st December 1999	2,975,717
<i>At 31st December 1998</i>	<i>2,667,315</i>

9 Stocks

	1999	1998
	£	£
Raw materials and consumables	644,992	566,448
Work in progress	153,648	227,984
Finished goods and goods for resale	448,489	354,314
	1,247,129	1,148,746

10 Debtors

	1999	1998
	£	£
Trade debtors	2,465,333	2,846,296
Amounts owed by associated undertakings	-	21,532
Amounts owed by group undertakings	211,279	106,982
Corporation tax recoverable	72,559	-
Prepayments and accrued income	76,637	78,779
	2,825,808	3,053,589

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

11 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	2,333,494	1,649,988
Trade creditors	1,973,229	2,134,231
Amounts owed to group undertakings	127,722	240,618
Corporation tax	-	213,737
Other taxes and social security	192,124	205,028
Proposed dividend	39,000	156,000
Other creditors	15,389	-
Accruals and deferred income	114,850	160,359
	<u>4,795,808</u>	<u>4,759,961</u>

12 Deferred taxation

Deferred taxation 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.

The movement on deferred taxation comprises:

	1999
	£
At 1st January 1999	121,000
Charge for the year	53,500
At 31st December 1999	<u>174,500</u>

	Amount provided		Amount unprovided	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	<u>174,500</u>	<u>121,000</u>	<u>156,700</u>	<u>211,448</u>

13 Share capital

	1999	1998
	£	£
Authorised		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid		
112,500 Ordinary shares of £1 each	<u>112,500</u>	<u>112,500</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

14 Reserves

	Share premium account £	Profit and loss account £
At 1st January 1999	512,500	1,363,939
Profit for the year	-	90,057
At 31st December 1999	<u>512,500</u>	<u>1,453,996</u>

15 Capital commitments

The company had the following capital commitments:

	1999 £	1998 £
Contracted for but not provided in the financial statements	<u>22,621</u>	<u>92,500</u>

16 Contingent liabilities

The potential amount of deferred taxation not provided for is set out in note 12.

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

At 31st December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	Property		Plant and machinery	
	1999 £	1998 £	1999 £	1998 £
Operating leases which expire:				
Between two and five years	-	-	96,298	75,283
After five years	114,000	114,000	-	-
	<u>114,000</u>	<u>114,000</u>	<u>96,298</u>	<u>75,283</u>

18 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit for the financial year	233,057	671,288
Dividends	(143,000)	(360,000)
Increase in shareholders' funds	90,057	311,288
Opening shareholders' funds	1,988,939	1,677,651
Closing shareholders' funds	<u>2,078,996</u>	<u>1,988,939</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

19 Pension arrangements

The majority of employees are eligible to join one of the 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 Limited. The members of the schemes are contracted-in to the State Earnings Related Pension Scheme but members 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 1998 using the projected unit method to be consistent with the method used for the SSAP 24 valuation. The schemes were funded to a level between 116% and 124% of the accrued liabilities at the date of the valuation, after allowing for anticipated increases in remuneration levels. The major assumptions were dividend growth of 4.5%, an interest rate of 9% and an allowance for general earnings inflation of 7% per annum. Schemes operated by British Vita Pensions Trust Limited held investments with a market value of £207m at 31 March 1998, including 1,310,692 Ordinary shares of British Vita PLC which then represented approximately 1.9% of the schemes' assets. The level of self investment was reduced in April 1998 by the sale of 600,000 shares. The main Vita schemes provide between 3% and 5% guaranteed indexation of current pensions, indexation in line with retail price index to a maximum of 5% of deferred pensions and apply equalised provisions for men and women.

The pension charge for the year was £163,249 (1998 - £152,966)

20 Related parties

The Company has taken advantage of Financial Reporting Standard 8 (Related party transactions) not to disclose transactions with group companies. There were no transactions with external related parties.

21 Ultimate parent undertaking

The Company is a subsidiary undertaking of British Vita PLC.

The largest and smallest group of which the Company is a member and for which group accounts are drawn up is that headed by British Vita PLC, whose principal place of business is at Oldham Road, Middleton, Manchester, England, M24 2DB. The consolidated accounts of this group are available to the public and may be obtained from the above address.