

VITA INDUSTRIAL POLYMERS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2000



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 2000

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 2000.

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 loss for the year after taxation was £166,354 (1999 profit as restated : £237,057).

The directors recommend the payment of dividends amounting to £100,000 (1999: £143,000).

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.

Mr R Wood had no interest in the 25p shares of the parent undertaking, British Vita PLC.

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			
<i>Adjusted price (pence)</i>	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 2000

Savings related schemes options outstanding

<i>Adjusted price (pence)</i>	Granted				Lapsed in year	Exercised in year	Total balance
	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>			
	165.6p	174.8p	238.8p	204.4p			
Mr R Wood	2,083	1,115	1,633	947	-	-	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	£ 100
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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 2000

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 aimed 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. These include career development and promotion, consistent with each employee's abilities and the needs of their employing company.

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
5th March 2001

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 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

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 2000 and of the Company's loss 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
Bank House
9 Charlotte Street
Manchester
M1 4EU
Date: 5th March 2001

VITA INDUSTRIAL POLYMERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2000

	Notes	2000 £	1999 <i>As restated</i> £
Turnover	2	14,016,997	12,719,857
Cost of sales		(11,666,101)	(10,092,539)
Gross profit		2,350,896	2,627,318
Distribution costs		(761,160)	(675,380)
Administrative expenses		(1,695,169)	(1,500,662)
Operating (loss)/profit	3	(105,433)	451,276
Interest payable and similar charges	4	(156,073)	(117,861)
(Loss)/Profit on ordinary activities before taxation		(261,506)	333,415
Tax on (loss)/profit on ordinary activities	6	95,152	(96,358)
(Loss)/Profit on ordinary activities after taxation		(166,354)	237,057
Dividends	7	(100,000)	(143,000)
Retained (loss)/profit for the year	14	(266,354)	94,057
Retained profit brought forward		1,297,996	1,203,939
Retained profit carried forward		1,031,642	1,297,996

All amounts relate to continuing activities.

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

VITA INDUSTRIAL POLYMERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 2000

	2000	1999
	£	<i>As restated</i> £
Statement of total recognised gains and losses		
(Loss)/Profit after tax for the financial year	<u>(166,354)</u>	<u>237,057</u>
	(166,354)	237,057
Prior year adjustment (see note 20)	<u>(156,000)</u>	<u>-</u>
Total recognised (losses)/gains relating to the year	<u><u>(322,354)</u></u>	<u><u>237,057</u></u>

VITA INDUSTRIAL POLYMERS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2000

	Notes	2000 £	1999 As restated £
Fixed assets			
Tangible assets	8	2,451,583	2,975,717
		<u>2,451,583</u>	<u>2,975,717</u>
Current assets			
Stocks	9	1,111,921	1,247,129
Debtors	10	3,101,242	2,825,808
Cash at bank and in hand		650	650
		<u>4,213,813</u>	<u>4,073,587</u>
		<u>(4,729,254)</u>	<u>(4,795,808)</u>
Creditors: amounts falling due within one year	11		
Net current liabilities		<u>(515,441)</u>	<u>(722,221)</u>
Total assets less current liabilities		<u>1,936,142</u>	<u>2,253,496</u>
Provisions for liabilities and charges			
Deferred taxation	12	(279,500)	(330,500)
Net assets		<u><u>1,656,642</u></u>	<u><u>1,922,996</u></u>
Capital and reserves			
Called-up share capital	13	112,500	112,500
Share premium account	14	512,500	512,500
Profit and loss account	14	1,031,642	1,297,996
Shareholders' funds	18	<u><u>1,656,642</u></u>	<u><u>1,922,996</u></u>

These accounts on pages 5 to 16 were approved by the board of directors on 5th March 2001 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 2000

1 Accounting policies

There have been no changes to the Company's accounting policies during the year, other than the inclusion of deferred tax on a full rather than partial provision basis under FRS 19, "Deferred Tax".

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, net of depreciation, less 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 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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 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.

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

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.

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:

	2000	1999
	£	£
Europe	2,764,230	2,647,901
UK	10,578,916	9,726,513
Rest of World	673,851	345,443
	<u>14,016,997</u>	<u>12,719,857</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

3 Operating (loss)/profit

The operating (loss)/profit is stated after charging or crediting:

	2000	1999
	£	£
Depreciation of tangible fixed assets:		
-owned assets	670,629	436,287
Loss/(profit) on disposal of fixed assets	2,225	(5,210)
Operating leases	119,743	157,364
Auditors' remuneration for audit services	11,000	11,000

4 Interest payable and similar charges

	2000	1999
	£	£
Interest payable on bank loans and overdrafts	156,073	117,861

5 Directors and employees

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

	2000	1999
	£	£
Wages and salaries	2,668,099	2,556,460
Social security costs	252,038	241,726
Other pension costs (see also note 19)	170,256	163,249
Other costs	37,925	18,229
	3,128,318	2,979,664

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

	2000	1999
	Number	Number
Selling and distribution	15	16
Administration	15	15
Production	105	107
	135	138

Directors' remuneration

	2000	1999
	£	£
Emoluments	58,797	58,220

The above amounts do not include any gains made on the exercise of share options. No directors exercised share options in the period (1999 - 1), as detailed in the directors' report.

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

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

	2000	1999
	Number	Number
Defined benefit schemes	<u>2</u>	<u>2</u>

Retirement benefits amounting to £Nil (1999 - £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

	2000	1999
	£	£
Emoluments	<u>58,797</u>	<u>58,220</u>

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 December 2000 was £15,926 (1999 - £13,873) with a net increase in transfer value of £25,868. Life assurance of four times salary is also provided for directors.

6 Taxation

	2000	1999
	£	As restated £
Based on the (loss)/profit for the year:		
UK corporation tax at 30% (1999: 30.25%)	(41,000)	53,441
Deferred tax (credit) / charge	<u>(51,000)</u>	<u>49,500</u>
	(92,000)	102,941
Prior periods		
UK Corporation tax	<u>(3,152)</u>	<u>(6,583)</u>
	<u>(95,152)</u>	<u>96,358</u>

Deferred taxation for 1999 has been restated in respect of the change in accounting policy (see note 20)

7 Dividends

	2000	1999
	£	£
Ordinary dividends - paid	100,000	104,000
Ordinary dividends - proposed	-	39,000
Total equity dividends	<u>100,000</u>	<u>143,000</u>

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

8 Tangible fixed assets

	Plant and machinery and motor vehicles
Cost	£
At 1st January 2000	7,424,356
Additions	162,770
Disposals	(67,577)
At 31st December 2000	7,519,549
Depreciation	
At 1st January 2000	4,448,639
Charge for the year	670,629
Disposals	(51,302)
At 31st December 2000	5,067,966
Net book value	
At 31st December 2000	2,451,583
<i>At 31st December 1999</i>	<i>2,975,717</i>

9	Stocks	2000	1999
		£	£
	Raw materials and consumables	688,127	644,992
	Work in progress	83,118	153,648
	Finished goods and goods for resale	340,676	448,489
		1,111,921	1,247,129

10	Debtors	2000	1999
		£	£
	Trade debtors	2,684,853	2,465,333
	Amounts owed by associated undertakings	1,200	-
	Amounts owed by group undertakings	173,639	211,279
	Corporation tax recoverable	170,375	72,559
	Prepayments and accrued income	71,175	76,637
		3,101,242	2,825,808

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

11	Creditors: amounts falling due within one year	2000	1999
		£	£
	Bank loans and overdrafts	2,203,739	2,333,494
	Trade creditors	2,106,786	1,973,229
	Amounts owed to group undertakings	182,111	127,722
	Other taxes and social security	73,296	192,124
	Proposed dividend	-	39,000
	Other creditors	-	15,389
	Accruals and deferred income	163,322	114,850
		<u>4,729,254</u>	<u>4,795,808</u>

12 **Deferred taxation**

In accordance with FRS19, "Deferred Tax", the Company's policy is now to provide for deferred taxation on a full liability basis and the adjustment is shown below as a prior year adjustment.

The movement on deferred taxation comprises:

	2000
	£
At 1st January 2000	174,500
Prior year adjustment (see note 20)	<u>156,000</u>
At 1st January 2000 - as restated	330,500
Movement for the year	<u>(51,000)</u>
At 31st December 2000	<u>279,500</u>

The provision for deferred taxation is in relation to accelerated capital allowances and short-term timing differences.

13	Called-up share capital	2000	1999
		£	£
	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 2000

14 Reserves

	Share premium account £	Profit and loss account £
At 1st January 2000	512,500	1,453,996
Prior year adjustment (see note 20)	-	(156,000)
At 1st January 2000 - as restated	512,500	1,297,996
Loss for the year	-	(266,354)
At 31st December 2000	512,500	1,031,642

Of the above reserves only the profit and loss account is distributable.

15 Capital commitments

The Company had the following capital commitments:

	2000 £	1999 £
Contracted for but not provided in the financial statements	57,000	22,621

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

At 31st December 2000 the Company had annual commitments under non-cancellable operating leases as set out below:

	Property		Plant and machinery	
	2000 £	1999 £	2000 £	1999 £
Operating leases which expire:				
Within one year	-	-	12,376	-
Between two and five years	-	-	101,847	96,298
After five years	114,000	114,000	-	-
	114,000	114,000	114,223	96,298

Included in the above are lease commitments to British Vita plc.

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

18	Reconciliation of movement in shareholders' funds	2000	1999
		£	<i>As Restated</i> £
	(Loss)/Profit for the financial year	(166,354)	237,057
	Dividends	(100,000)	(143,000)
	Net (Decrease)/Increase in shareholders' funds	(266,354)	94,057
	Opening shareholders' funds	1,922,996	1,828,939
	Closing shareholders' funds	1,656,642	1,922,996

Opening shareholders funds at 1 January 2000 were originally £2,078,996 before prior year adjustment of £156,000.

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 2000 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 121% and 129% of the accrued liabilities at the date of the valuation, after allowing for anticipated increases in remuneration levels. The assumptions used in the valuation reflect market conditions at the valuation date. The most significant of these assumptions are an interest rate of 4.9% for past service and 5.4% for future service, an allowance for general earnings inflation of 5.1% per annum and a price inflation assumption of 2.6% per annum. The value of each scheme's liabilities is compared with the smoothed market value of scheme's assets at the valuation date in order to produce the funding levels quoted above. This asset value is smoothed over a five year period to reduce the effect of fluctuations in market values. Schemes operated by British Vita Pensions Trust Limited held investments with a market value of £272m at 31 March 2000, including 710,692 Ordinary shares of British Vita PLC which then represented approximately 0.6% of the schemes' assets. 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 £170,256 (1999 - £163,249).

VITA INDUSTRIAL POLYMERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

20 Prior year adjustment

	2000 £	1999 £
Profit and loss account		
Tax - deferred tax	-	4,000
Increase in profit for the financial year	-	4,000
Balance Sheet		
Provisions for liabilities and charges - deferred tax	-	156,000
Decrease in net assets	-	156,000

The net assets of the Company in 1999 and 2000 decreased by £156,000 as a result of the prior year adjustment.

The Company's policy for deferred taxation was changed during the year in order to comply with FRS19. Further details of this change in policy are provided in note 6 and note 12. The comparative figures in the primary statements and notes have been restated to reflect this new policy. The effects of the change of policy are shown above.

21 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.

22 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.