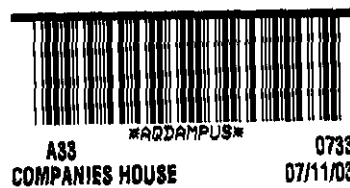


Vita Thermoplastic Compounds Limited
Annual report
for the year ended 31 December 2002

Registered Number 1018237



Vita Thermoplastic Compounds Limited
Annual report
for the year ended 31 December 2002

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Vita Thermoplastic Compounds Limited

Directors and Advisors for the year ended 31 December 2002

Directors

Mr C Hopkinson
Mr C J O'Connor
Mr D Outen

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

1018237

Vita Thermoplastic Compounds Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the Company during the year continued to be the compounding of PVC, engineering and thermoplastic polymers.

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 £2,380,502 (2001: £1,227,945).

An interim dividend of £510,182 (2001: £1,414,657) was paid on 29 November 2002. The directors propose a final dividend of £562,894 (2001: £379,748) in respect of the year ended 31 December 2002.

Directors and their interests

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

Mr C Hopkinson

Mr C J O'Connor

Mr D Outen (Appointed 1 September 2002)

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

Mr C J O'Connor 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 interest of the other directors in the 25p ordinary shares of the parent undertaking, British Vita PLC, are as follows:

	At 31 December 2002	At 1 January 2002
Mr C Hopkinson	7,793	2,989

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

	1996	1997	1997	1998	1999	2000	2000	2001	2002	Lapsed	Exercised	Total
Adjusted price	244.0	218.5	249.5	298.5	255.5	225.0	168.5	161.5	232.0	in year	in year	balance
(pence)												
Mr C Hopkinson	5,000	10,000	10,000	10,000	5,000	20,000	10,000	10,000	-	-	-	80,000
Mr D Outen	-	-	-	-	20,000	-	5,000	10,000	10,000	-	-	45,000

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 relates schemes options outstanding

	1998	1999	2000	2001	2002	Lapsed	Exercised	Total
Adjusted price	238.8	204.4	181.2	138.4	189.2	in year	in year	balance
(pence)								
Mr C Hopkinson	1,444	947	1,069	3,837	1,004	-	(947)	7,354

The exercise period under the share options schemes is either three or five years.

Vita Thermoplastic Compounds Limited

Directors' report for the year ended 31 December 2002 (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 2002 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 £510 (2001: £303) 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 March 2002 was 61 days (2001: 60 days).

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 'Vitaneews' 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.

Vita Thermoplastic Compounds Limited

Directors' report for the year ended 31 December 2002 (continued)

Auditors

During the year, Arthur Andersen resigned as auditors to the Company and the Board appointed PricewaterhouseCoopers. Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership from 1 January 2003, PricewaterhouseCoopers resigned on 4 February 2003 and the directors appointed as its successor, PricewaterhouseCoopers LLP. The directors will propose a resolution at the annual General Meeting re-appointing PricewaterhouseCoopers LLP as auditors to the Company, and in accordance with Section 388 of the Companies Act 1985 special notice of the intention to propose this resolution has been received by the Company.

By order of the Board



M R Stirzaker
Secretary
3 March 2003

Vita Thermoplastic Compounds Limited

Independent auditors' report to the members of Vita Thermoplastic Compounds 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.

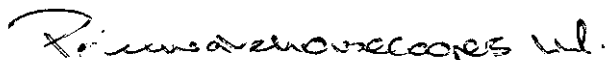
Basis of audit opinion

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 2002 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

3 March 2003

Vita Thermoplastic Compounds Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover	1	84,372,963	84,025,405
Cost of sales		(71,228,819)	(72,290,985)
Gross profit		13,144,144	11,734,420
Distribution costs		(4,350,276)	(4,625,809)
Administrative expenses		(5,015,166)	(4,925,263)
Operating profit	2	3,778,702	2,183,348
Interest receivable		6,931	46,737
Interest payable and similar charges	3	(266,203)	(481,859)
Profit on ordinary activities before taxation		3,519,430	1,748,226
Tax on profit on ordinary activities	5	(1,138,928)	(520,281)
Profit on ordinary activities after taxation		2,380,502	1,227,945
Dividends	6	(1,073,076)	(1,794,405)
Retained profit / (loss) for the financial year	15	1,307,426	(566,460)
Retained profit brought forward		585,405	1,151,865
Retained profit carried forward	15	1,892,831	585,405

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.

Vita Thermoplastic Compounds Limited

Balance sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	7	14,516,792	14,367,013
Current assets			
Stocks	8	7,368,063	6,786,626
Debtors	9	18,103,088	20,470,756
Cash at bank and in hand		1,786,688	145,866
		27,257,839	27,403,248
Creditors: amounts falling due within one year	10	(22,642,954)	(23,304,678)
Net current assets		4,614,885	4,098,570
Total assets less current liabilities		19,131,677	18,465,583
Creditors: amounts falling due after more than one year	11	(15,252,101)	(15,852,233)
Provision for liabilities and charges	13	(1,386,745)	(1,427,945)
Net assets		2,492,831	1,185,405
Capital and reserves			
Called up share capital	14	600,000	600,000
Profit and loss account	15	1,892,831	585,405
Equity shareholders' funds	19	2,492,831	1,185,405

The financial statements on pages 6 to 17 were approved by the board of directors on 3 March 2003 and were signed on its behalf by:



Mr C J O'Connor
Director

Vita Thermoplastic Compounds 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 - 25
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 a 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. The Company will account for the pension scheme as a defined contribution scheme in accordance with paragraph 12 of Financial Reporting Standard 17.

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.

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.

Vita Thermoplastic Compounds Limited

Accounting policies (continued)

Leases

Assets held under finance leases are capitalised as tangible fixed assets at fair value and the corresponding rentals liability is shown net of interest under finance leases within creditors. The capitalised values are written off over the shorter of the period of the lease and the useful life of the asset concerned and finance charges are written off over the period of the lease. 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.

Vita Thermoplastic Compounds Limited

Notes to the financial statements for the year ended 31 December 2002

1 Turnover

The geographical analysis of turnover by destination is as follows:

	2002 £	2001 £
Continental Europe	13,354,259	13,687,674
United Kingdom	66,772,838	69,632,263
Rest of World	4,245,866	705,468
	84,372,963	84,025,405

2 Operating profit

is stated after charging / (crediting):	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned assets	3,210,344	2,883,043
- held under finance leases	39,753	8,259
Profit on disposal of fixed assets	(13,936)	(17,881)
Operating leases		
- property	1,354,142	1,354,142
- plant and machinery	290,044	289,112
Research and development	-	12,267
Auditors' remuneration for audit services	37,154	52,977

3 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	266,203	481,159

Vita Thermoplastic Compounds Limited

4 Directors and employees

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

	2002 £	2001 £
Wages and salaries	11,518,784	10,641,243
Social security costs	1,056,030	1,000,910
Other pensions costs (see note 20)	408,736	386,372
	12,983,550	12,028,525

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

	2002 Number	2001 Number
By activity		
Administration	142	136
Production	360	349
	502	485

Directors' remuneration

	2002 £	2001 £
Emoluments		
Aggregate emoluments	113,711	104,389

The above amounts do not include any gains made on the exercise of share options, details of which are given in the directors' report.

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

	2002 Number	2001 Number
Defined benefit scheme	3	2

Retirement benefits amount to £Nil (2001: £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.

Vita Thermoplastic Compounds Limited

5 Taxation

	2002 £	2001 £
Current year		
United Kingdom corporation tax at 30% (2001: 30%)	1,159,535	516,177
Adjustment in respect of previous year	20,593	(83,631)
Total current tax	1,180,128	432,546
Deferred tax:		
Origination and reversal of timing differences	(47,908)	28,943
Adjustment in respect of previous years	6,708	58,792
Total deferred tax	(41,200)	87,735
Tax on profit on ordinary activities	1,138,928	520,281

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:

	2002 £	2001 £
Profit on ordinary activities before taxation	3,519,430	1,748,226
Tax on profit on ordinary activities at standard UK Corporation Tax rate of 30% (2001: 30%)	1,055,829	524,468
Net expenses not deductible for tax purposes	55,798	20,652
Capital allowances in excess of depreciation and timing differences	47,908	(28,943)
Adjustment in respect of previous year	20,593	(83,631)
	1,180,128	432,546

6 Dividends

	2002 £	2001 £
Ordinary dividends - paid	510,182	1,414,657
Ordinary dividends - proposed	562,894	379,748
Total equity dividends	1,073,076	1,794,405

Vita Thermoplastic Compounds Limited

7 Tangible fixed assets

	Plant, machinery and motor vehicles £
Cost	
At 1 January 2002	36,867,903
Additions	3,438,020
Disposals	(1,834,679)
At 31 December 2002	38,471,244
Depreciation	
At 1 January 2002	22,500,890
Charge for the year	3,250,097
Disposals	(1,796,535)
At 31 December 2002	23,954,452
Net book value	
At 31 December 2002	14,516,792
At 31 December 2001	14,367,013

Assets held under finance leases have a net book value of £Nil (2001: £39,753). Depreciation charged for the year was £39,753 (2001: £8,259).

8 Stocks

	2002 £	2001 £
Raw materials and consumables	3,087,408	2,660,886
Finished goods and goods for resale	4,280,655	4,125,740
	7,368,063	6,786,626

Vita Thermoplastic Compounds Limited

9 Debtors

	2002 £	2001 £
Trade debtors	15,912,844	17,763,862
Amounts owed by group undertakings	1,348,974	2,038,373
Other debtors	45,000	3,371
Prepayments and accrued income	796,270	665,150
	18,103,088	20,470,756

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Obligations under finance leases	-	4,398
Bank loans and overdrafts	4,377,713	4,769,144
Trade creditors	13,661,702	14,164,163
Amounts owed to group undertakings	1,295,642	1,563,583
Corporation tax	699,252	374,012
Other taxation and social security	301,847	720,343
Proposed dividend	562,894	379,748
Other creditors	5,770	7,089
Accruals and deferred income	1,738,134	1,322,198
	22,642,954	23,304,678

11 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases	-	2,132
Amounts owed to group undertakings	15,252,101	15,850,101
	15,252,101	15,852,233

Vita Thermoplastic Compounds Limited

12 Obligations under hire purchase and finance leases

	2002 £	2001 £
Obligations under hire purchase contracts and finance leases are analysed between amounts payable:		
Within one year	-	4,398
Between two and five years	-	2,132
	-	6,530

13 Deferred taxation

	2002 £
At 1 January 2002	1,427,945
Movement in the year	(41,200)
At 31 December 2002	1,386,745

The provision for deferred taxation is in respect of accelerated capital allowances and short-term timing differences, as detailed below.

	2002 £	2001 £
Accelerated capital allowances	1,405,975	1,457,945
Short-term timing differences	(19,230)	(30,000)
	1,386,745	1,427,945

14 Called up share capital

	2002 £	2001 £
Authorised		
600,000 ordinary shares of £1 each	600,000	600,000
Allotted, called up and fully paid		
600,000 ordinary shares of £1 each	600,000	600,000

Vita Thermoplastic Compounds Limited

15 Reserves

	Profit and loss account
	£
At 1 January 2002	585,405
Profit for the year	1,307,426
At 31 December 2002	1,892,831

16 Capital commitments

	2002 £	2001 £
Contracted for but not provided in the financial statements	299,664	141,000

17 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.

18 Operating lease commitments

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

	Property		Plant and Machinery	
	2002 £	2001 £	2002 £	2001 £
Within one year	-	-	8,781	21,829
Between two and five years	30,000	30,000	354,877	91,871
After five years	1,324,142	1,324,142	-	16,626
	1,354,142	1,354,142	363,658	130,326

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

Vita Thermoplastic Compounds Limited

19 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	2,380,502	1,227,945
Dividends	(1,073,076)	(1,794,405)
Net increase / (decrease) to shareholders' funds	1,307,426	(566,460)
Opening shareholders' funds	1,185,405	1,751,865
Closing shareholders' funds	2,492,831	1,185,405

20 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 £408,736 (2001: £386,372).

FRS 17

The Group operates a defined benefit scheme. However, contributions paid by the Company are 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.

21 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.

22 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.