

Vita Thermoplastic Compounds Limited  
Annual report  
for the year ended 31 December 2003

Registered Number 1018237



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Annual report  
for the year ended 31 December 2003

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# **Vita Thermoplastic Compounds Limited**

## **Directors and Advisors for the year ended 31 December 2003**

### **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 2003

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

### Principal activities and business review

The principal activity of the Company during the year continued to be the 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 £654,839 (2002: £2,380,502).

An interim dividend of £304,875 (2002: £510,182) was paid in November 2003. The directors propose a final dividend of £Nil (2002: £562,894) in respect of the year ended 31 December 2003.

### Directors and their interests

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

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

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 2003	At 31 December 2002
Mr C Hopkinson	8,962	7,793

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

	1997	1997	1998	1999	2000	2000	2001	2002	2003	Lapsed	Exercised	Total
Exercise price (pence)	218.5	249.5	298.5	255.5	225.0	168.5	161.5	232.0	242.0	in year	in year	balance
Mr C Hopkinson	10,000	10,000	10,000	5,000	20,000	10,000	10,000	-	5,000	-	-	85,000
Mr D Outen	-	-	-	20,000	-	5,000	10,000	10,000	5,000	-	-	50,000

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 related schemes options outstanding

	1999	2000	2001	2002	2003	Lapsed	Exercised	Total
Exercise price (pence)	204.4	181.2	138.4	189.2	193.6	in year	in year	balance
Mr C Hopkinson	-	1,069	3,837	1,004	976	-	(1,069)	5,817

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

# **Vita Thermoplastic Compounds Limited**

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

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Charitable contributions**

Charitable contributions amounting to £225 (2002: £510) 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 2003 was 81 days (2002: 61 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 '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.

# **Vita Thermoplastic Compounds Limited**

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

### **Auditors**

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

**By order of the Board**

A handwritten signature in dark ink, appearing to read 'M. R. Stirzaker', written in a cursive style.

**M R Stirzaker**

**Secretary**

1 March 2004

# 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.

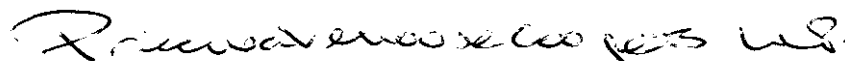
### Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Manchester

1 March 2004

# Vita Thermoplastic Compounds Limited

## Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
<b>Turnover</b>	1	79,540,110	84,372,963
Cost of sales		(69,522,723)	(71,228,819)
<b>Gross profit</b>		10,017,387	13,144,144
Distribution costs		(4,465,622)	(4,350,276)
Administrative expenses		(4,473,787)	(5,015,166)
<b>Operating profit</b>	2	1,077,978	3,778,702
Interest receivable		-	6,931
Interest payable and similar charges	3	(325,704)	(266,203)
<b>Profit on ordinary activities before taxation</b>		752,274	3,519,430
Tax on profit on ordinary activities	5	(97,435)	(1,138,928)
<b>Profit on ordinary activities after taxation</b>		654,839	2,380,502
Dividends	6	(304,875)	(1,073,076)
<b>Retained profit / (loss) for the financial year</b>	15	349,964	1,307,426
<b>Retained profit brought forward</b>		1,892,831	585,405
<b>Retained profit carried forward</b>		2,242,795	1,892,831

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 2003

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Intangible fixed assets	7	374,628	-
Tangible assets	8	12,894,767	14,516,792
		13,269,395	14,516,792
<b>Current assets</b>			
Stocks	9	8,347,937	7,368,063
Debtors	10	18,094,242	18,103,088
Cash at bank and in hand		215,874	1,786,688
		26,658,053	27,257,839
<b>Creditors: amounts falling due within one year</b>	11	(21,888,419)	(22,642,954)
<b>Net current assets</b>		4,769,634	4,614,885
<b>Total assets less current liabilities</b>		18,039,029	19,131,677
<b>Creditors: amounts falling due after more than one year</b>	12	(13,852,101)	(15,252,101)
<b>Provision for liabilities and charges</b>	13	(1,344,133)	(1,386,745)
<b>Net assets</b>		2,842,795	2,492,831
<b>Capital and reserves</b>			
Called up share capital	14	600,000	600,000
Profit and loss account	15	2,242,795	1,892,831
<b>Equity shareholders' funds</b>	19	2,842,795	2,492,831

The financial statements on pages 6 to 18 were approved by the board of directors on 1 March 2004 and were signed on its behalf by:

  
**Mr C Hopkinson**  
 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.

### Intangible assets

Patents and trademarks are included at cost and depreciated in equal instalments over their estimated useful economic life up to a maximum of 20 years. Provision is made for any impairment.

### 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.

### 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 2003

### 1 Turnover

The geographical analysis of turnover by destination is as follows:

	2003 £	2002 £
Continental Europe	13,736,423	13,354,259
United Kingdom	64,037,263	66,772,838
Rest of World	1,766,424	4,245,866
	<b>79,540,110</b>	<b>84,372,963</b>

### 2 Operating profit

is stated after charging / (crediting):

	2003 £	2002 £
Depreciation of tangible fixed assets:		
- owned assets	2,810,654	3,210,344
- held under finance leases	-	39,753
Amortisation of intangible assets	49,037	-
Loss/(profit) on disposal of fixed assets	2,584	(13,936)
Operating leases		
- property	1,436,309	1,354,142
- plant and machinery	366,525	290,044
Auditors' remuneration for audit services	36,050	37,154

### 3 Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	325,704	266,203

# Vita Thermoplastic Compounds Limited

## 4 Directors and employees

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

	2003	2002
	£	£
Wages and salaries	10,842,250	11,696,991
Social security costs	1,077,054	1,056,030
Other pensions costs (see note 20)	704,693	408,736
	<b>12,623,997</b>	<b>13,161,757</b>

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

	2003	2002
	Number	Number
<b>By activity</b>		
Administration	95	142
Production	395	360
	<b>490</b>	<b>502</b>

### Directors' remuneration

	2003	2002
	£	£
<b>Emoluments</b>		
Aggregate emoluments	198,150	113,711

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:

	2003	2002
	Number	Number
Defined benefit scheme	3	3

Retirement benefits amount to £Nil (2002: £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

	2003 £	2002 £
<b>Current year</b>		
United Kingdom corporation tax at 30% (2002: 30%)	286,001	1,159,535
Adjustment in respect of previous year	(145,954)	20,593
Total current tax	140,047	1,180,128
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(71,001)	(47,908)
Adjustment in respect of previous years	28,389	6,708
Total deferred tax	(42,612)	(41,200)
Tax on profit on ordinary activities	97,435	1,138,928

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

	2003 £	2002 £
Profit on ordinary activities before taxation	752,274	3,519,430
Tax on profit on ordinary activities at standard UK Corporation Tax rate of 30% (2002: 30%)	225,682	1,055,829
Net expenses not deductible for tax purposes	(10,682)	55,798
Capital allowances in excess of depreciation and timing differences	71,001	47,908
Adjustment in respect of previous year	(145,954)	20,593
	140,047	1,180,128

## 6 Dividends

	2003 £	2002 £
Ordinary dividends - paid	304,875	510,182
Ordinary dividends - proposed	-	562,894
Total equity dividends	304,875	1,073,076

# Vita Thermoplastic Compounds Limited

## 7 Intangible fixed assets

	Patents and trademarks £
<b>Cost</b>	
At 1 January 2003	-
Additions	423,665
<b>At 31 December 2003</b>	<b>423,665</b>
<b>Depreciation</b>	
At 1 January 2003	-
Charge for the year	49,037
<b>At 31 December 2003</b>	<b>49,037</b>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<b>374,628</b>
At 31 December 2002	-

# Vita Thermoplastic Compounds Limited

## 8 Tangible fixed assets

	Plant, machinery and motor vehicles £
<b>Cost</b>	
At 1 January 2003	38,471,244
Additions	1,403,957
Disposals	(338,962)
Transfers	(225,764)
<b>At 31 December 2003</b>	<b>39,310,475</b>
<b>Depreciation</b>	
At 1 January 2003	23,954,452
Charge for the year	2,810,654
Disposals	(251,023)
Transfers	(98,375)
<b>At 31 December 2003</b>	<b>26,415,708</b>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<b>12,894,767</b>
At 31 December 2002	14,516,792

Assets held under finance leases have a net book value of £nil (2002: £nil). Depreciation charged for the year was £nil (2002: £39,753).

## 9 Stocks

	2003 £	2002 £
Raw materials and consumables	3,953,797	3,087,408
Finished goods and goods for resale	4,394,140	4,280,655
	<b>8,347,937</b>	<b>7,368,063</b>



# Vita Thermoplastic Compounds Limited

## 10 Debtors

	2003 £	2002 £
Trade debtors	15,375,441	15,912,844
Amounts owed by group undertakings	1,889,167	1,348,974
Corporation tax	101,996	-
Other debtors	-	45,000
Prepayments and accrued income	727,638	796,270
	18,094,242	18,103,088

## 11 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	5,822,024	4,377,713
Trade creditors	12,742,580	13,661,702
Amounts owed to group undertakings	1,074,606	1,295,642
Corporation tax	-	699,252
Other taxation and social security	720,838	301,847
Proposed dividend	-	562,894
Capital expenditure	281,113	
Other creditors	1,651	5,770
Accruals and deferred income	1,245,607	1,738,134
	21,888,419	22,642,954

## 12 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed to group undertakings	13,852,101	15,252,101

# Vita Thermoplastic Compounds Limited

## 13 Deferred taxation

	2003 £
At 1 January 2003	1,386,745
Movement in the year	(42,612)
<b>At 31 December 2003</b>	<b>1,344,133</b>

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

	2003 £	2002 £
Accelerated capital allowances	1,321,933	1,405,975
Short-term timing differences	22,200	(19,230)
	<b>1,344,133</b>	<b>1,386,745</b>

## 14 Called up share capital

	2003 £	2002 £
<b>Authorised</b>		
600,000 ordinary shares of £1 each	<b>600,000</b>	600,000
<b>Allotted, called up and fully paid</b>		
600,000 ordinary shares of £1 each	<b>600,000</b>	600,000

# Vita Thermoplastic Compounds Limited

## 15 Reserves

	Profit and loss account
	£
At 1 January 2003	1,892,831
Profit for the year	349,964
<b>At 31 December 2003</b>	<b>2,242,795</b>

## 16 Capital commitments

	2003 £	2002 £
Contracted for but not provided in the financial statements	<b>26,931</b>	299,664

## 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	
	2003 £	2002 £	2003 £	2002 £
Within one year	-	-	<b>26,204</b>	8,781
Between two and five years	<b>110,000</b>	30,000	<b>150,563</b>	354,877
After five years	<b>776,620</b>	1,324,142	-	-
	<b>886,620</b>	1,354,142	<b>176,767</b>	363,658

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

# Vita Thermoplastic Compounds Limited

## 19 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	654,839	2,380,502
Dividends	(304,875)	(1,073,076)
Net increase to shareholders' funds	349,964	1,307,426
Opening shareholders' funds	2,492,831	1,185,405
Closing shareholders' funds	2,842,795	2,492,831

## 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 £704,693 (2002: £408,736).

### FRS 17

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

## 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.

# **Vita Thermoplastic Compounds Limited**

## **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.