Vym

2630824

A copy of this document, which comprises listing particulars relating to Vymura plc in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

Application has been made to the London Stock Exchange for the ordinary share capital of the Company, in issue and now being issued, to be admitted to the Official List. It is expected that admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on 12 May 1994.

The Directors, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that, in connection with the Placing, Barclays de Zoete Wedd Limited is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Barclays de Zoete Wedd Limited nor for providing advice in relation to the Placing.

Vymura plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2630824)

Placing by

Barclays de Zoete Wedd Limited

of 16,046,468 ordinary shares

of 5p each at 150p per share

payable in full on application

SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
35,000,000	£1,750,000	in ordinary shares of 5p each	25,733,334	£1,286,667

Following redemption of the Preference Shares and the remaining preferred ordinary shares described herein, the Company will have additional authorised but unissued share capital which will comprise unclassified shares with a nominal value of £5,307,143 as described in paragraph 1(n) of Part IV of this document.

The Ordinary Shares now being placed, on admission to the Official List, will rank in full for all dividends and other distributions thereafter declared, paid or made in respect of the ordinary share capital of the Company and *pari passu* in all respects with the Ordinary Shares now in issue.

INDEBTEDNESS AND CASH

At the close of business on 31 March 1994, the Company had outstanding borrowings or indebtedness in the nature of borrowings of £8,189,292, comprising a secured bank overdraft of £1,175,293, a secured bank loan of £6,346,000, hire purchase commitments of £652,124 and obligations under finance leases of £15,875.

Save as disclosed above, the Company did not have, at the close of business on that date, any loan capital (including term loans) outstanding or created but unissued or any outstanding mortgages, charges or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, obligations under finance leases or guarantees or other contingent liabilities.

At the close of business on 31 March 1994, the Company had cash balances of £97,193.

CONTENTS

DIRECTORS AND ADVISERS

DIRECTORS

IAIN WILLIAM BELL	Non-Executive Chairman
THOMAS SMAIL	Chief Executive
TERENCE LANGSTROTH	Sales and Marketing Director
ROBERT ARTHUR BRADBURY	Finance Director
GEORGE LAWRENCE BLENKINSHIP	Operations Director
RICHARD ALFRED FINNIS	Non-Executive Director
ANDREW JOHN GARETY	Non-Executive Director

All of Talbot Road, Hyde, Cheshire SK14 4EJ

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
PO Box 15
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COMPANY SECRETARY
Robert Arthur Bradbury, BSC, ARCS, FCMA

ADVISERS

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London EC4R 3TS

STOCKBROKERS
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SOLICITORS TO THE COMPANY
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24 Mount Street
Manchester M2 3DB

SOLICITORS TO THE PLACING
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London EC4Y 1HS

AUDITORS AND REPORTING ACCOUNTANTS
Arthur Andersen
Chartered Accountants
Bank House
9 Charlotte Street
Manchester M1 4EU

PRINCIPAL BANKERS
Midland Bank plc
100 King Street
Manchester M60 2HD

REGISTRARS
Lloyds Bank Plc
Registrar's Department
Ground Floor
PO Box 1000
Antholin House
71 Queen Street
London EC4N 1SL

DEFINITIONS

The following terms apply in this document unless the context otherwise requires:

"Act"	the Companies Act 1985, as amended by the Companies Act 1989
"Admission"	admission of the Ordinary Shares to the Official List of the London Stock Exchange
"BZW"	Barclays de Zoete Wedd Limited
"Company" or "Vymura"	Vymura plc or, prior to 26 June 1992, the business now carried on by Vymura
"Directors" or "Board"	the directors of the Company
"Eligible Employees"	those employees of Vymura determined by the Directors as eligible employees for the purpose of priority applications under the Placing
"Group"	the Company and its subsidiary undertakings at the date hereof
"ICI"	Imperial Chemical Industries PLC
"Listing Particulars"	this document dated 5 May 1994
"London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Matching Offer"	the matching offer to Eligible Employees as described in Part I of this document
"Official List"	the Daily Official List of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 5p each in the Company
"Placing"	the placing by BZW of 16,046,468 Ordinary Shares, as described in this document
"Placing Agreement"	the conditional agreement dated 5 May 1994 between BZW, the Company, the Directors and the institutional shareholders in the Company as described in paragraph 9 of Part IV of this document
"Placing Price"	150p per Ordinary Share
"Preference Shares"	9.5 per cent redeemable cumulative preference shares of £1 each in the Company

PLACING STATISTICS

Placing Price	150p
Number of Ordinary Shares in issue following the Placing	25,733,334
Proportion of enlarged issued ordinary share capital now being placed	62.4 per cent
Market capitalisation at the Placing Price	£38.6 million
Total number of Ordinary Shares being placed	16,046,468
Number of Ordinary Shares being placed on behalf of:	
the Company	7,233,333
the selling shareholders	8,813,135
Value of the Ordinary Shares being placed at the Placing Price	£24.1 million
Estimated net proceeds receivable by the Company	£10 million
Earnings per Ordinary Share for the year ended 31 December 1993 (Note 1)	10.34p
Price earnings multiple at the Placing Price based on earnings per Ordinary Share for the year ended 31 December 1993	14.5 times
Notional net dividend per Ordinary Share for the year ended 31 December 1993 (Note 2)	4.44p
Notional gross dividend yield at the Placing Price (Note 3)	3.7 per cent
Notional dividend cover	2.3 times

Notes:

1. This is the earnings per Ordinary Share calculated as described in note 8 of Part II of this document.
2. This is the notional net dividend per Ordinary Share for the year ended 31 December 1993 as described under "Dividend policy" in Part I of this document.
3. The notional gross dividend yield is calculated by dividing the notional gross dividend by the Placing Price. The notional gross dividend comprises the notional net dividend together with the associated tax credit (calculated at a rate of 20/80ths of the notional net dividend).

KEY INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived.

BUSINESS

Vymura designs, manufactures and distributes a wide range of printed wallcoverings for sale in the home decoration market.

The Company is one of the market leaders in the UK and offers its products under the well known brand names, Vymura and Novamura, as well as producing a wide range of private label and licensed products.

Vymura has recorded strong growth in both sales and profitability over the past five years, during which time it has established a customer base comprising principally DIY superstores and national multiple retailers. Vymura also supplies wholesalers of wallcoverings in the UK, together with independent retailers, and has a growing export business.

The business was originally established by ICI in the 1960s and was the subject of a management buy-out in June 1992.

The company operates from a single manufacturing site of approximately 45 acres, in Hyde, near Manchester.

KEY STRENGTHS

The Directors believe that Vymura has the following key strengths:

- well known consumer brand names
- supplies the largest range of wallcoverings to the DIY superstores
- well established relationships with major customers
- experienced and motivated management team
- impressive record of commercial and financial success
- well placed for continued growth in the UK and overseas

FINANCIAL RECORD

The following financial information on the Company has been extracted from the Accountants' Report set out in Part II of this document:

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Turnover	30,171	33,826	38,275
Operating profit	1,917	2,853	3,956

CURRENT TRADING AND PROSPECTS

The Company's sales have continued to grow in the first quarter of 1994, with significant increases to DIY superstores, compared with the first quarter of 1993. Sales of borders, simplex wallpapers and flat vinyls are all ahead of the same period last year.

The introduction of a new flexible shift system has enabled manufacturing capacity to be increased as planned. Stock levels have been increased from the December 1993 position to service the Spring sales peak. Raw material costs have remained stable and the Company has implemented nominal selling price increases.

Overall, trading for the first quarter is in line with budget and the Directors view the prospects for the full year with confidence.

Vymura's strategy is to seek organic sales growth through a selective expansion of its product range and an increase in its penetration of targeted market sectors in the UK and overseas, whilst continuing to pay close attention to productivity and margins.

The Directors believe sales and profit growth will come from a number of specific areas:

- increased sales to major UK customers
- increased sales to selected export markets, principally the USA
- continued emphasis on the faster growing segments of its market
- continued investment in machinery and training to improve efficiency
- continued investment in design and colour sampling facilities
- increased advertising to raise further the awareness of Vymura's brand names and products
- further product range launches

The Directors believe the Company is well placed to take advantage of an anticipated growth in sales arising from the recovery of the UK housing market and the expected increase in the market share held by the DIY superstores. The Directors also expect the Company to benefit from any increase in consumer spending.

THE PLACING

The Company is issuing 7,233,333 new Ordinary Shares, which will raise approximately £10 million, net of expenses The net proceeds of the Placing will be used to redeem the 5.3 million Preference Shares currently in issue, to reduce indebtedness and to put the Company in a position to fund capital investment and future growth. The reduction in indebtedness will increase Vymura's financial flexibility and significantly strengthen its balance sheet.

In addition, Vymura's existing shareholders are selling 8,813,135 Ordinary Shares valued at £13.2 million at the Placing Price, including 5,112,492 Ordinary Shares which are being sold by the Directors, representing 50.0 per cent of their holding prior to the Placing. Following the Placing the Directors will hold, in aggregate, 19.9 per cent of the issued share capital of the Company.

Ordinary Shares (representing in aggregate five per cent of the Placing) are being reserved to meet priority applications from Eligible Employees and to satisfy obligations under the Matching Offer.

The 16,046,468 Ordinary Shares being placed represent 62.4 per cent of the enlarged issued ordinary share capital of the Company and are being placed subject to clawback to satisfy demand from Eligible Employees. The Placing has been fully underwritten at the Placing Price by BZW.

PART I INFORMATION ON VYMURA

INTRODUCTION

Vymura designs, manufactures and distributes a wide range of printed wallcoverings for sale in the home decoration market.

The Company is one of the market leaders in the UK and offers its products under the well known brand names, Vymura and Novamura, as well as producing a wide range of private label and licensed products.

Vymura has recorded strong growth in both sales and profitability over the past five years, during which time it has established a customer base comprising principally DIY superstores and national multiple retailers. Vymura also supplies wholesalers of wallcoverings in the UK, together with independent retailers, and has a growing export business.

HISTORY AND DEVELOPMENT

Vymura's business originally formed part of ICI's paints division. In the 1960s the division invented paper-backed vinyl wallcovering and the Vymura brand name was created. In the 1970s ICI invented a polyethylene based paper-free wallcovering, marketed under the brand name Novamura.

Three members of the present executive management team took charge of the business in 1988, at a time when the operations were loss-making, and put in place a radical restructuring plan which included:

- focusing marketing on the larger national retailers and, in particular, the DIY superstores
- streamlining the product range and improving the quality of product design
- replacing onerous US distribution arrangements
- consolidating all manufacturing activities onto a single site and reducing employee numbers
- increasing productivity and reducing overheads

Vymura was restored to trading profitability in 1990 and has continued to expand throughout the recession. In 1992, Vymura was acquired for £14 million by the executive management team with the support of a small consortium of institutional investors.

In the period since the management buy-out approximately £2.3 million has been spent on manufacturing and design facilities. In addition 15 new collections of wallcoverings have been developed and launched. This has enabled the Company to record further progress in increasing sales and profitability.

THE WALLCOVERINGS MARKET

UK market

The UK wallcoverings market for home decoration is estimated to be worth some £400 million per annum at current retail prices. DIY superstores and national multiple retailers dominate the market with the largest six retailers of wallcoverings accounting for over 60 per cent of sales.

Consumers expect to be able to select and purchase wallcoverings quickly and easily, and over 85 per cent of sales are now made from retailers' stock. Selection and sale through pattern books account for the majority of the balance.

The market is strongly influenced by the residential property sector, in particular, the number of house sales as well as by general trends in consumer expenditure. The effects of the UK recession on retail demand and the residential property sector resulted in a decline in the sales of UK manufactured wallcoverings from 103 million rolls (excluding borders) in 1988 to 75 million rolls (excluding borders) in 1992. Sales of such wallcoverings increased by approximately three-quarters of a million rolls last year. The Directors expect growth to continue in wallcoverings in the future as the UK economy and the residential property sector continue to recover.

Vymura's main competitors in the UK are Borden Decorative Products, Fine Decor, Forbo-Kingfisher, Graham & Brown and John Wilman. Imports represent approximately 10 per cent of all wallcoverings sold in the UK.

UK distribution channels

Wallcoverings are mainly distributed through DIY superstores, national multiple retailers and independent retailers and wholesalers.

DIY superstores such as B&Q, Do-It-All, Great Mills, Homebase and Texas account for around 53 per cent of all retail wallcoverings sales. The number of such superstores has grown considerably over the past decade. Wallcoverings are considered a core product and further growth in the market share of DIY superstores is anticipated through store openings and refurbishment.

National multiple retailers such as Marks & Spencer and A G Stanley have maintained their market share of around 21 per cent of the wallcoverings market.

Independent retailers and wholesalers have in recent years stabilised their market share of around 26 per cent, following a significant fall in the late 1980s.

Vymura has directed its marketing strategy towards the DIY superstores and the national multiple retailers whilst continuing to supply the independent retailers and wholesalers.

Exports

A significant proportion of wallcoverings manufactured in the UK is exported, with North America and France being the main markets. Export volumes fell over the period between 1988 and 1991 but have risen over the last two years with around 34 per cent (approximately £102 million) of sales being made overseas in 1993.

Vymura's exports represented only 14 per cent of its 1993 sales and the Directors believe there is considerable potential for export sales growth.

Products

The UK industry is long established and produces a wide range of wallcovering types. There are three broad product areas: coloured wallcoverings, white wallcoverings and decorative borders.

Vymura's product portfolio of some 2,000 items is concentrated on the faster growing segments of the market, notably coloured wallcoverings and borders. The Company has no significant involvement in white wallcoverings and has only limited exposure to blown vinyls, both of which have been declining rapidly in recent years.

Coloured wallcoverings

Annual volume in the UK coloured wallcoverings market fell from 68 million rolls in 1988 to 54 million rolls in 1991, recovering to 56 million rolls in 1993. Coloured wallcoverings accounted for 69 per cent of UK sales in the wallcoverings market in 1993. The principal product types are:

> ***Flat vinyls,*** which are made by coating paper with a layer of PVC to give a durable surface finish. Flat vinyl is usually embossed by impressing a variety of textures into the PVC layer. Between 1989 and 1993 flat vinyls maintained their market position with annual sales of around 20 million rolls.
>
> ***Simplex wallpaper,*** which is a traditional paper-based product, often carrying a light textured finish. Sales of simplex papers have grown by some 27 per cent since 1990 to around 20 million rolls per annum in 1993.
>
> ***Duplex wallpaper,*** which is a paper-based product made from two sheets bonded together and deeply textured. Duplex paper volumes have declined by over 30 per cent since 1990 to around five million rolls in 1993.
>
> ***Blown vinyls,*** which have a raised surface pattern formed by a plastic coating applied to a paper base and then heated to expand, or 'blow', the coating to give the finished effect. Sales reached over 17 million rolls in 1989, since when they have declined steadily to around 10 million rolls in 1993.
>
> ***Novamura,*** which is a paper-free wallcovering made from foamed polyethylene. The product, which is unique to Vymura, is marketed as being easy to use and has established a niche position in the UK market with annual sales of some one million rolls in 1993.

White wallcoverings

The major product types are wood chip, embossed unprinted duplex paper and white blown vinyls which can be painted to give the desired decorative finish. Sales have fallen from around 32 million rolls in 1988 to around 18 million rolls in 1993. White wallcoverings accounted for 14 per cent of UK sales in the wallcoverings market in 1993.

Borders

Decorative borders can be made from any of the product types described above. The majority of borders are used together with complementary wallcoverings and can also be applied over painted surfaces. In recent years sales have grown very strongly and reached over 20 million coils in 1993, an increase of five million coils over the previous year. Borders accounted for 17 per cent of UK sales in the wallcoverings market in 1993.

VYMURA'S BUSINESS

Products

Vymura designs, manufactures and distributes a wide range of printed wallcoverings for sale in the home decoration market. In addition, the Company supplies a small range of co-ordinated fabrics.

Vymura has positioned its products at the mid to top end of the retail market. The Company classifies its products as follows:

Year ended 31 December 1993	Turnover (£m)	Percentage
Flat vinyls	17.2	45
Borders	7.9	21
Simplex wallpaper	6.5	17
Blown vinyls	3.4	9
Novamura	2.1	5
Other sales	1.2	3
	£38.3m	100

Vymura's product portfolio contains some 2,000 items. In recent years around 500 new items have been developed each year and the product life is typically between three and five years.

Vymura has successfully developed its own branded products, has responded to opportunities for private label ranges and dominates the market for wallcoverings featuring licensed nursery characters.

Branded products (66 per cent of 1993 sales)
The Company has a broad branded range encompassing numerous colours, designs and products, sold under the well known Vymura and Novamura brand names. Products bearing the Vymura brand can be supplied on an exclusive basis to major customers.

Private label products (15 per cent of 1993 sales)
Vymura supplies a range of designs and colours to national multiple retailers, including Marks & Spencer, which is sold under the retailers' brand.

Licensed products (19 per cent of 1993 sales)
Vymura now dominates the UK market for wallcoverings featuring licensed nursery characters. The Company has obtained licences from a number of major companies to use their nursery characters on its wallcoverings.

Vymura also manufactures other licensed products for example "Ports of Call" by Jeff Banks and "The Country Diary of an Edwardian Lady". Additional licences are being actively pursued.

Design

The Company pays careful attention to the creative processes of design and colour. Vymura has an in-house design department, supported by the recent addition of a computer aided design system. A key part of the creative process is to seek to ensure that new items will fit the needs of target customers.

The design manager and his team have considerable experience of the wallcoverings and home furnishings industry and have strong working relationships with the major customers.

Sales and marketing

The Company has established an account team strategy in which sales, marketing and design personnel work closely with major customers, using detailed market and product knowledge jointly to develop products and merchandising opportunities. Vymura has successfully developed effective responses to evolving customer needs in the areas of logistics, data interchange, environment and quality.

The Company has focused its marketing effort on national multiple retailers and, in particular, the DIY superstores. Vymura's sales to the DIY superstores have almost trebled during the period between 1988 and 1993. Vymura has forged close links with these retailers and it provides support services in addition to joint product development.

Vymura supplies the largest range of wallcoverings to the DIY superstores. The Directors believe that sales to this sector will increase further as Vymura continues to offer:

- a broad range of quality products
- close co-operation between customers and dedicated account teams on marketing, range design and merchandising
- dedicated support packages

In 1993 Vymura's sales to DIY superstores, national multiple retailers and independent retailers and wholesalers represented 68 per cent, 19 per cent and 13 per cent respectively of its total UK sales.

Vymura has recently engaged a major advertising agency to promote its brands and products. An advertising campaign, planned for the Autumn, will complement a vigorous public relations exercise aimed at raising further the Company's consumer profile.

Vymura supplies over 30 export markets. Elements of the product range are modified in response to local tastes and colour preferences. Exports accounted for 14 per cent of Vymura's 1993 sales by comparison with the UK wallcoverings industry average of some 34 per cent. The Company reorganised its export department in 1993 and is focusing additional marketing effort and targeting new products towards overseas markets. In addition the present management team replaced onerous distribution arrangements and appointed a new US distributor in 1989, since when, sales to the USA have grown by some 47 per cent. The Directors believe there is considerable potential to increase Vymura's exports, especially to the USA.

Manufacturing

Vymura operates from a single manufacturing site of approximately 45 acres, in Hyde, near Manchester.

The Company has a wide range of manufacturing facilities which can produce many types of wallcoverings, giving flexibility in meeting market requirements. A new flexible shift system has recently been introduced to accomodate seasonal demand in the peak periods of Spring and Autumn.

Vymura has invested since the management buy-out to upgrade printing and coating machines, to install computerised colour mixing equipment and to purchase a new pre-paste machine. The Directors are planning to spend some £6.5 million which will be funded internally over the next three years comprising: £2.3 million to increase capacity; £1.5 million to upgrade machinery; £2.1 million for forthcoming changes required by environmental legislation and £0.6 million on general refurbishment. All of this capital expenditure will be made at the Company's manufacturing site at Hyde near Manchester.

Raw materials, in particular paper, PVC and printing inks, form some 33 per cent of costs.

Vymura achieved accreditation to BS5750 in 1992 and is committed to improving further its quality control systems, reducing process variability and to gaining greater consistency in product quality. The Company is committed to its environmental policies and is developing its environmental management systems to BS7750 standards.

Distribution

The storage and handling of finished goods is sub-contracted to McGregor Cory, which provides 100,000 square feet of dedicated space at Middleton, Manchester (approximately ten miles from Hyde).

Vymura balances customer delivery requirements against efficient production runs by maintaining relatively high stocks to meet forecast future sales. Orders are delivered within five days in the normal course of business using contract or customer specified carriers.

DIRECTORS, MANAGEMENT AND EMPLOYEES

The Board

The Board of Vymura consists of a Non-Executive Chairman, four Executive Directors and two other Non-Executive Directors. A brief biography of each Director is set out below:

Iain Bell, Non-Executive Chairman
Iain Bell, aged 53, was appointed to the board on 1 March 1994. He is currently deputy chairman of Johnston Press plc. He joined Johnston Press in 1972 and was managing director of a number of subsidiary companies, both in Scotland and England, before being appointed to the main board in 1979. He subsequently became group managing director in 1980, a position he held until April 1994 and was involved in taking the company to a full listing on the London Stock Exchange in April 1988. He is non-executive chairman of Edinburgh New Tiger Trust plc and a non-executive director of EFM Small Companies Trust plc. He is a past president of the Scottish Newspaper Publishers Association.

Tom Small, BSc, PhD, Chief Executive
Tom Small, aged 51, has twenty one years service with Vymura. He began his career in the wallcoverings industry when he joined Vymura, part of ICI, in 1972. In 1987 he was appointed general manager, retail products and became Managing Director the following year. He led the restructuring which restored Vymura to profitability and growth in 1990, after a period of losses in the 1980s. In 1994 he was appointed Chief Executive.

Terry Langstroth, Sales and Marketing Director
Terry Langstroth, aged 39, has six years service with Vymura. He entered the wallcoverings industry in 1980 when he joined Coloroll Wallcoverings as a regional manager. In 1984 he was appointed general manager of Wallpride Wallcoverings before moving, in the following year, to William Morris Fine Art Wallpaper Company. He joined Vymura in 1987 as sales manager, taking responsibility for the marketing and export departments in 1989. In June 1992, at the time of the management buy-out, he became Sales and Marketing Director.

Bob Bradbury, BSc, ARCS, FCMA, Finance Director and Company Secretary
Bob Bradbury, aged 46, has five years service with Vymura . In 1972 he joined Bunzl PLC and became finance director of a number of manufacturing subsidiaries before moving to Manders (Holdings) plc, in 1986, as group chief accountant. He joined Vymura in 1988 as financial controller and became Finance Director at the time of the 1992 management buy-out.

George Blenkinship, BSc, Operations Director
George Blenkinship, aged 41, has three years service with Vymura. He joined Philips Electronics and on leaving university became a section leader in its quality engineering department, holding a series of other manufacturing positions before becoming manufacturing manager of Philips & Dupont Optical in 1987. He joined Vymura as operations manager in 1991 and was appointed Operations Director at the time of the 1992 management buy-out.

Richard Finnis, BSc, Non-Executive Director
Richard Finnis, aged 65, was appointed to the Board on 1 April 1994. He worked for ICI from 1953 until 1986 becoming general manager of a number of operating subsidiaries in 1977. Between 1986 and 1991 he worked for European Vinyls Corporation. He was a director of Weston-Hyde Products, a subsidiary of European Vinyls Corporation, from 1988 to 1991, one of whose businesses was Vymura. He was president of the British Plastics Federation from 1991 until April 1992.

Andrew Garety, MA, FCA, Non-Executive Director
Andrew Garety, aged 45, was appointed to the Board on 1 April 1994. He is currently the finance director of The Boddington Group plc which he joined in September 1989. Since qualifying as a chartered accountant with Price Waterhouse he has also worked for Courtaulds PLC, ICI and Tootal Group plc.

Corporate governance

The Board recognises the importance of sound corporate governance. As a listed company, Vymura intends to comply with the provisions of the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance.

Vymura has established an Audit Committee comprising the Non-Executive Directors which will meet at least twice a year to review the Company's financial performance and controls. Vymura has also established a Remuneration Committee, comprising Messrs Bell, Smail and Finnis, which will meet to monitor the performance of the Executive Directors and to review their remuneration.

Financial control

Vymura places great emphasis on financial control. A budget is prepared prior to the beginning of each financial year against which progress is closely monitored. Comprehensive monthly management accounts are produced which are reviewed by the Board.

Management and employees

Senior management

The Board is supported by a number of senior managers including the following:

Name	Age	Position	Years of Service
Geoff Allen	52	Technical Manager	36
Sam Chorlton	59	Engineering Manager	33
Peter Davies	60	National Accounts Manager	44
Mike Fell	52	National Accounts Manager	32
Mike Howard	47	Personnel Manager	13
Jim Machin	30	Management Services Manager	5
Mike McGuire	34	Design Manager	6
John Meeson	48	International Sales Manager	19
Terry Panter	44	Gravure Manager	22
Adrian Taylor	32	Supply Chain Manager	1
Karl Woodcock	30	Flexographic Manager	1

Employees

Vymura has a permanent full-time staff of some 450 people including the Executive Directors and senior managers. The Company aims to achieve continuous improvement in its operations and encourages all employees to achieve high levels of performance.

Vymura has a skilled and flexible workforce and the Directors place great importance on communication and involvement. The Company recognises the following trade unions: AEEU, GMB, GPMU and MSF. The Company has invested significantly in training in recent years and in particular the Company has a quality improvement programme running across the entire workforce, known as the Vymura Improvement Plan.

Employee incentives

Share schemes

The Directors see great benefit in motivating employees through share schemes. Accordingly, the Company has established the following schemes which have been formally approved by the Inland Revenue:

A share appropriation scheme which will initially be used for the purpose of providing free shares under the Matching Offer to Eligible Employees who make successful priority applications for Ordinary Shares in the Placing.

A save-as-you-earn scheme under which invitations to eligible employees will be issued as soon as possible after Admission.

An executive share option scheme which will, following Admission, be administered under the direction of the Remuneration Committee and under which options will be granted prior to Admission.

Further details of these employee share schemes appear in paragraph 7 of Part IV of this document.

Arrangements for Directors and employees under the Placing
The Directors have made arrangements under which Eligible Employees can participate in the Placing. Ordinary Shares (representing in aggregate five per cent of the Placing) are being reserved to meet priority applications from Eligible Employees and to satisfy obligations under the Matching Offer.

Under the Matching Offer, an Eligible Employee can agree with the trustee of the share appropriation scheme to transfer to the trustee Ordinary Shares acquired by the employee pursuant to his priority application having a value not exceeding £100 at the Placing Price, to be held by the trustee for the benefit of the Eligible Employee under the terms of the share appropriation scheme. If he does so the trustee will allocate to him, free of charge, the same number of Ordinary Shares under the share appropriation scheme. The trustee of the share appropriation scheme will be entitled to make a priority application in the Placing for the number of Ordinary Shares which are necessary to satisfy the entitlement of Eligible Employees to have Ordinary Shares allocated free of charge under the Matching Offer.

To the extent that priority applications are received from Eligible Employees and the trustee of the share appropriation scheme in respect of more than 802,323 Ordinary Shares, the priority applications from Eligible Employees will be scaled down. The priority applications under the Matching Offer will be met in full.

Messrs Bell, Finnis and Garety each intend to apply for 2,000 Ordinary Shares under the Placing.

FINANCIAL RECORD

The financial record of the Company over the three years ended 31 December 1993 is set out in the Accountants' Report in Part II, from which the following information has been extracted:

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Turnover	30,171	33,826	38,275
Gross profit	12,510	15,267	18,269
Operating profit	1,917	2,853	3,956
Costs arising on management buy-out	—	(389)	—
Net interest payable and similar charges	(1,233)	(1,005)	(679)
Profit on ordinary activities before taxation	684	1,459	3,277
Tax on profit on ordinary activities	—	(436)	(861)
Profit for the financial year	684	1,023	2,416

Vymura has achieved significant growth in turnover and operating profit over the three years ended 31 December 1993 despite recessionary conditions.

Sales have increased by some 27 per cent since 1991 reflecting the Company's success in identifying growth areas in products and customers.

Over the same period operating profits have more than doubled from £1.92 million to £3.96 million and operating margins have increased from 6.4 per cent to 10.3 per cent.

The capital structure of the Company before the management buy-out on 26 June 1992 was significantly different from that prevailing thereafter which had a material impact on interest and taxation during the period prior to the management buy-out. Subsequently the tax charge has been reduced below the statutory rate as a result of capital allowances on the fixed assets acquired in the management buy-out and subsequent capital expenditure.

CURRENT TRADING AND PROSPECTS

The Company's sales have continued to grow in the first quarter of 1994, with significant increases in sales to DIY superstores, compared with the first quarter of 1993. Sales of borders, simplex wallpapers and flat vinyls are all ahead of the same period last year.

The introduction of a new flexible shift system has enabled manufacturing capacity to be increased as planned. Stock levels have increased from the December 1993 position to service the Spring sales peak. Raw material costs have remained stable and the Company has implemented nominal selling price increases. Overall, trading for the first quarter is in line with budget and the Directors view the prospects for the full year with confidence.

The Company has plans for capital expenditure of £6.5 million over the next three years. The Directors therefore expect the effective taxation charge during this period to be below the statutory rate.

Vymura's strategy is to seek organic sales growth through a selective expansion of its product range and an increase in its penetration of targeted market sectors in the UK and overseas, whilst continuing to pay close attention to productivity and margins.

The Directors believe sales and profit growth will come from a number of specific areas:

Increased sales to major UK customers

Vymura has focused its marketing on the national multiple retailers and, in particular, the DIY superstores. The Company has built up close relationships with these customers by providing joint product development and support services. Vymura expects over the next few years to benefit further from these relationships.

Increase in the market share of the DIY superstores

Vymura's major customers, the DIY superstores, have increased their share of the UK wallcoverings market from 35 per cent in 1985 to around 53 per cent in 1993 and their market penetration is expected to increase further over the next few years. Vymura expects to participate in this growth by virtue of its position as supplier of the largest range of wallcoverings to the DIY superstores.

Increased sales to selected export markets

Exports form a relatively low proportion (14 per cent) of Vymura's sales by comparison with the UK wallcoverings industry average of some 34 per cent. There is considerable potential to increase Vymura's export sales especially into the USA.

Market segmentation
Vymura's product portfolio is focused on the faster growing segments of the market, notably coloured wallcoverings and borders.

Continued investment in machinery and training
Vymura is planning to improve manufacturing efficiency through a programme of capital investment and the continuation of its programme of workshops as part of the Vymura Improvement Plan.

Continued investment in design and colour sampling facilities
Vymura expects to increase the commercial performance of its ranges by making further use of its computer aided design system and by its structured programme of test marketing.

Increased advertising spend
The Company plans an advertising campaign to complement its public relations activities and to raise further the awareness of Vymura's brand names and products among consumers.

Further product range launches
The Company plans to increase its product range by launching some 600 new items during the current year as part of its marketing strategy.

Economic recovery in the UK
Vymura has increased sales and profitability throughout the recession and it expects to benefit from any increase in consumer spending and in particular from a return of confidence in the housing market.

DIVIDEND POLICY

If the Company had been listed for the year ended 31 December 1993, the Directors would have recommended a dividend of 4.44p net (5.55p gross) per Ordinary Share for that year. This would have represented a notional gross dividend yield of 3.7 per cent at the Placing Price and would have been covered 2.3 times by earnings per Ordinary Share of 10.34p.

It is expected that the first dividend will be a final dividend in respect of the year ending 31 December 1994. The final dividend is expected to represent approximately two-thirds of the total annual dividend that would have been paid had the Company been listed throughout the year ending 31 December 1994.

The Ordinary Shares now being placed, on Admission, will rank in full for all dividends and other distributions thereafter declared, paid or made in respect of the ordinary share capital of the Company.

PRO FORMA STATEMENT OF NET ASSETS

A pro forma statement of net assets of the Company at 31 December 1993 is set out in Part III of this document. This is calculated on the basis that the net proceeds of the Placing receivable by the Company had been received on 31 December 1993.

The following extract from the statement set out in Part III is included for illustrative purposes only:

At 31 December 1993	Per Accountants' Report £'000	Adjustments £'000	Pro forma £'000
Fixed assets	9,363	—	**9,363**
Net current assets	5,702	4,500	**10,202**
Creditors: Amounts falling due after more than one year	(6,302)	—	**(6,302)**
Net assets	8,763	4,500	**13,263**
Net (debt)/cash	(8,927)	4,500	**(4,427)**

REASONS FOR THE PLACING

The Directors consider that the listing of the Ordinary Shares will enhance the profile of the Company, thereby assisting the development of its business. Listing will also facilitate access to the financial markets which will enable the Company to exploit opportunities for further development through acquisitions and capital investment as they arise. It will also expand the Company's shareholder base, create a market for Vymura shares and give the employees of Vymura greater opportunity to participate directly in its future.

The net proceeds of the Placing will be used to redeem the 5.3 million Preference Shares currently in issue, to reduce indebtedness and to put the Company in a position to fund capital investment and future growth. The reduction in indebtedness will increase Vymura's financial flexibility and significantly strengthen its balance sheet.

THE PLACING

The Company is issuing 7,233,333 new Ordinary Shares which will raise approximately £10 million, net of expenses.

In addition, Vymura's existing shareholders are selling 8,813,135 Ordinary Shares, valued at £13.2 million at the Placing Price, including 5,112,492 Ordinary Shares which are being sold by the Directors, representing 50.0 per cent of their holding prior to the Placing. Following the Placing the Directors will hold, in aggregate, 19.9 per cent of the issued share capital of the Company.

The 16,046,468 Ordinary Shares being placed represent 62.4 per cent of the enlarged issued ordinary share capital of the Company and are being placed subject to clawback to satisfy demand from Eligible Employees. The Placing has been fully underwritten at the Placing Price by BZW.

Vymura

PART II ACCOUNTANTS' REPORT

The following is a copy of a report from Arthur Andersen:

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

The Directors
Vymura plc
Talbot Road
Hyde
Cheshire
SK14 4EJ

The Directors
Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London
EC4R 3TS

5 May 1994

Dear Sirs

We have examined the audited accounts of Vymura plc ("the Company" or "Vymura") and the autonomous Vymura operating division of Weston-Hyde Products Limited for the three years ended 31 December 1993 for the purposes of the Listing Particulars in accordance with the Auditing Guideline: 'Prospectuses and the Reporting Accountant'.

The Company was incorporated as Foxgen Trading Limited on 19 July 1991. On 7 April 1992, Foxgen Trading Limited changed its name to Talbot Wallcoverings Limited. On 29 June 1992, Talbot Wallcoverings Limited changed its name to Vymura International Limited. On 15 April 1994, the Company changed its name to Vymura plc.

On 26 June 1992, the Company acquired the trade, assets and liabilities of the Vymura operating division of Weston-Hyde Products Limited for a net consideration of £14,007,000. We refer to this acquisition as the "management buy-out".

For the year ended 31 December 1991 and the period ended 25 June 1992, non-statutory accounts were prepared for the Vymura operating division. We have audited these accounts for the purpose of the Listing Particulars.

For the period 26 June 1992 to 31 December 1993, the Company has prepared statutory accounts audited by us. In addition, we have audited accounts for the period from 26 June 1992 to 31 December 1992 for the purpose of this report.

The financial information presented below for the year ended 31 December 1992 combines the profit and loss accounts and cash flow statements of the Vymura operating division and the Company for the period ended 25 June 1992 and the period commencing 26 June 1992 respectively.

In our opinion, the financial information set out below gives, for the purpose of the Listing Particulars, a true and fair view of the state of affairs of the Vymura operating division as at 31 December 1991 and of the Company as at 31 December 1992 and 1993 and of the profits and cash flows for each of the periods then ended.

No audited accounts of the Company have been prepared in respect of any period subsequent to 31 December 1993.

ACCOUNTING POLICIES

The following are the principal accounting polices adopted consistently in preparing the financial information set out in this report.

(a) *Basis of accounting*

The accounts are prepared under the historical cost convention to include the revaluation of land and buildings. The accounts have been prepared in accordance with applicable accounting standards.

(b) *Tangible fixed assets*

Land and buildings are shown at original historical cost or subsequent valuation. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	25 years
Plant and machinery	3–15 years
Motor vehicles	2 years

(c) *Investments*

Fixed asset investments are shown at cost less amounts written off.

Group accounts were not prepared for the period on the basis of the immateriality of subsidiary undertakings.

(d) *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:

Raw materials	—	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	—	cost of direct materials and labour, plus a reasonable proportion of manufacturing 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.

(e) *Taxation*

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

Advance corporation tax payable on dividends paid or provided for in the period is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred taxation 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.

(f) *Pension costs*

The pension cost for the defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary. The amount charged to the profit and loss account is the estimated regular cost of providing benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of pensionable payroll over the estimated average remaining working life of the scheme members.

(g) *Foreign currency*

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 period end are reported at the rates of exchange prevailing at the period end. 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.

(h) *Turnover*

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

(i) *Leases*

The company enters into operating and finance leases.

Assets held under finance leases are initially reported at the present value of the minimum lease payments at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except the assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(j) *Deferred costs*

The excess of expenditure over anticipated income on pattern books, directly attributable to new product ranges, is charged to the profit and loss account over two years, in the ratio of two-thirds to one-third from the date of the first sale, on a commercial basis, of the product to which the pattern book relates. The balance of the excess not charged to the profit and loss account is carried forward as a prepayment.

PROFIT AND LOSS ACCOUNTS

Year ended 31 December	Notes	1991 £'000	1992 £'000	1993 £'000
Turnover	1	30,171	33,826	38,275
Cost of sales		(17,661)	(18,559)	(20,006)
Gross profit		12,510	15,267	18,269
Other operating expenses	2	(10,593)	(12,414)	(14,313)
Operating profit		1,917	2,853	3,956
Costs arising on management buy-out	3	—	(389)	—
Interest receivable		—	32	39
Interest payable and similar charges	4	(1,233)	(1,037)	(718)
Profit on ordinary activities before taxation	5	684	1,459	3,277
Tax on profit on ordinary activities	6	—	(436)	(861)
Profit for the financial year		684	1,023	2,416
Dividends paid and proposed	7	—	(272)	(524)
Retained profit for the financial year		684	751	1,892
Transfer from other reserves		—	10	16
Retained profit		684	761	1,908
Earnings per share	8	3.70p	4.12p	10.34p

All activity has arisen from continuing operations. The Company has no recognised gains or losses other than the profit for the financial period. A statement of movements on reserves is given in note 17.

The capital structure of the Company before the management buy-out on 26 June 1992 was significantly different from that prevailing thereafter. This has had a material impact on interest, taxation and dividends during the period under review.

BALANCE SHEETS

Year ended 31 December	Notes	1991 £'000	1992 £'000	1993 £'000
Fixed assets				
Tangible assets	9	6,636	8,072	9,363
Investments	10	—	—	—
		6,636	8,072	9,363
Current assets				
Asset held for sale	11	—	500	500
Stocks	12	5,277	5,619	7,861
Debtors	13	6,972	5,645	6,745
Cash at bank and in hand		762	806	3
		13,011	12,570	15,109
Creditors: Amounts falling due within one year	14	(11,854)	(6,387)	(9,407)
Net current assets		1,157	6,183	5,702
Total assets less current liabilities		7,793	14,255	15,065
Creditors: Amounts falling due after more than one year	15	(7,793)	(7,384)	(6,302)
Net assets		—	6,871	8,763
Capital and reserves				
Called-up share capital	16	—	5,340	5,340
Share premium account	17	—	190	190
Other reserves	17	—	1,006	990
Profit and loss account	17	—	335	2,243
Total capital employed		—	6,871	8,763

CASH FLOW STATEMENTS

Year ended 31 December	Notes	1991 £'000	1992 £'000	1993 £'000
Net cash inflow from operating activities	19a	1,123	3,881	1,757
Returns on investments and servicing of finance				
Interest element of finance lease rentals and hire purchase contracts		(98)	(50)	(29)
Interest received		—	32	16
Interest paid		(1,135)	(923)	(605)
Dividends paid		—	—	(796)
Net cash outflow from returns on investments and servicing of finance		(1,233)	(941)	(1,414)
Taxation paid		—	—	—
Investing activities				
Acquisition of the wallcoverings business	19d	—	(14,007)	—
Purchase of tangible fixed assets		(739)	(723)	(1,298)
Sale of tangible fixed assets		3	2	6
Acquisition costs capitalised in fixed assets		—	(125)	—
Net cash outflow from investing activities		(736)	(14,853)	(1,292)
Net cash outflow before financing		(846)	(11,913)	(949)
Financing				
Issue of ordinary share capital, net of issue costs		—	5,530	—
Increase in bank loans		—	7,500	—
Increase (decrease) in group loans		2,054	(890)	—
Repayment of bank loans		—	—	(577)
Capital element of finance lease rental payments and hire purchase contracts		(329)	(436)	(312)
Net cash inflow (outflow) from financing	19b	1,725	11,704	(889)
Increase (decrease) in cash and cash equivalents	19c	879	(209)	(1,838)

NOTES TO THE PROFIT AND LOSS ACCOUNTS

1 SEGMENTAL INFORMATION

Turnover, by geographical destination, arose entirely from a single class of business consisting of the sale of wallcoverings and co-ordinated products manufactured in the United Kingdom as follows:

Turnover

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
United Kingdom	26,613	29,574	32,744
North America	1,933	2,316	2,828
Europe and other	1,625	1,936	2,703
	30,171	33,826	38,275

2 OTHER OPERATING EXPENSES

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Distribution costs	2,166	2,094	2,443
Selling and marketing costs	5,763	6,474	7,845
Administrative expenses	2,664	3,846	4,025
	10,593	12,414	14,313

3 COSTS ARISING ON MANAGEMENT BUY-OUT

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Costs arising on management buy-out	—	389	—

The effect of the above costs on the tax charge is to reduce the tax payable by £128,000 in 1992.

4 INTEREST PAYABLE AND SIMILAR CHARGES

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
On bank loans, overdrafts and other loans			
—repayable within five years, by instalments	98	50	29
—repayable within five years, not by instalments	1,135	539	77
Bank loan repayable after five years	—	448	612
	1,233	1,037	718
Finance lease and hire purchase interest element included in the above	98	50	29

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Depreciation and amounts written off tangible fixed assets			
—owned	407	433	552
—held under finance leases and hire purchase contracts	165	128	94
Hire of plant and machinery			
—under operating leases	141	145	48
Other operating lease rentals	189	186	154
Auditors' remuneration			
—audit services	27	35	33
—non-audit services	—	170	30
Directors' remuneration	237	319	392

Directors' remuneration prior to 26 June 1992 relates to the remuneration paid to the current Directors of the Company in respect of their roles in the Vymura operating division.

Staff costs comprise:

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Wages and salaries	6,302	7,090	7,798
Social security costs	485	553	600
Other pension costs	416	537	542
	7,203	8,180	8,940

Directors' remuneration in respect of directors of the Company for 1993 was as follows:

	1993 £'000
Fees as directors	10
Other emoluments (including pension contributions)	382

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

	1993 £'000
Chairman	10
Highest paid director	96

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1993 Number
£5,001–£10,000	1
£70,001–£75,000	3
£95,001–£100,000	1

No detailed analysis of directors' remuneration has been provided for 1991 and 1992 as the remuneration structure changed significantly following the management buy-out.

The average weekly number of persons employed by the Company during the period was as follows:

Year ended 31 December	1991 Number	1992 Number	1993 Number
Production	288	319	329
Distribution	9	10	9
Sales	26	30	33
Administration	62	63	64
	385	422	435

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Corporation tax	—	436	861
Statutory rate of UK corporation tax	33%	33%	33%

The 1993 tax charge was reduced as a result of capital allowances received on the fixed assets acquired in the management buy-out, as well as subsequent additions, and by the decision not to provide for the related deferred tax.

No deferred tax has been provided because the Directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is improbable that any liability will arise. Had the Company been providing the full amount of potential deferred tax, the charge for the year would have been increased as follows:

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Capital allowances	—	159	349
Other timing differences	—	(68)	(29)
	—	91	320

The amount of unprovided deferred taxation is as follows:

As at 31 December	1992 £'000	1993 £'000
Excess of tax allowances over book depreciation of fixed assets	159	508
Other timing differences	(68)	(97)
	91	411
Capital gains tax that would arise if properties were to be disposed of at current book value	363	335

7 DIVIDENDS PAID AND PROPOSED

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
9.5% cumulative redeemable preference shares of £1 each	—	261	503
9.5% cumulative convertible redeemable preferred ordinary shares of 10p each	—	11	21
	—	272	524

The dividend per share is the same for both the redeemable preference shares and the preferred ordinary shares as follows:

Year ended 31 December	1991	1992	1993
Interim dividend per share	—	—	4.75p
Final dividend per share	—	4.92p	4.75p

8 EARNINGS PER SHARE

Year ended 31 December	1991	1992	1993
Attributable earnings (£'000)	684	762	1,913
Number of shares (million)	18.50	18.50	18.50
Earnings per share	3.70p	4.12p	10.34p

The attributable earnings are profit after taxation and dividends payable on redeemable preference shares. The capital structure of the business was significantly different prior to the management buy-out on 26 June 1992. As a result, the attributable earnings (being influenced by taxation and interest charges) reported in 1991 and 1992 are not comparable with the 1993 results. As explained in note 16, on Admission and on the Placing Agreement becoming unconditional, the existing 216,000 preferred ordinary shares and 184,000 ordinary shares will be reorganised into 18,500,001 Ordinary Shares. The calculation of earnings per share for each of the accounting periods under review is based on these 18,500,001 Ordinary Shares and does not take account of the new Ordinary Shares which are being issued pursuant to the Placing.

NOTES TO THE BALANCE SHEETS

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	In course of construction £'000	Total £'000
Cost or valuation				
At 1 January 1993	2,900	4,806	633	8,339
Additions	—	—	1,937	1,937
Transfers	—	1,468	(1,468)	—
At 31 December 1993	2,900	6,274	1,102	10,276
Accumulated depreciation				
At 1 January 1993	32	235	—	267
Charge	47	599	—	646
At 31 December 1993	79	834	—	913
Net book value				
At 31 December 1993	2,821	5,440	1,102	9,363
At 31 December 1992	2,868	4,571	633	8,072

Freehold land included in the above at cost and not depreciated amounted to £1,488,000 (1992—£1,488,000).

The net book value of assets held under finance lease and hire purchase contracts included in the above amounted to £1,616,000 (1992—£575,000).

On 26 June 1992, as part of the management buy-out, the fixed assets of the Vymura business were acquired for £7,425,000 and acquisition costs of £125,000 were capitalised. At that date the fixed assets were revalued to their fair value of £8,566,000. This includes freehold land and buildings (including the asset held for sale referred to in note 11 below) valued on an open market existing use basis at £3.4 million by King Sturge & Co. (formerly King & Co.), Chartered Surveyors.

10 FIXED ASSET INVESTMENTS

The Company owns beneficially 100 per cent of the issued share capital of Newbrush Limited, a company incorporated and registered in England. This investment was acquired on 5 May 1993 for a cost of £2 and this is the current carrying value. Newbrush Limited has not been consolidated on the basis of immateriality.

In addition the Company owns beneficially 100 per cent of the issued share capital of Vymura Employee Trust Limited, a company incorporated in England. This investment was acquired on 13 April 1994 for a cost of £2 and this is the current carrying value.

Both of these companies are dormant subsidiary undertakings.

11 ASSET HELD FOR SALE

The asset held for sale is a surplus warehouse on the Hyde site. This asset is stated at estimated net realisable value.

12 STOCKS

As at 31 December	1992 £'000	1993 £'000
Raw materials and consumables	514	912
Work-in-progress	857	905
Finished goods and goods for resale	4,248	6,044
	5,619	7,861

13 DEBTORS

As at 31 December	1992 £'000	1993 £'000
Amounts falling due within one year:		
Trade debtors	4,667	5,374
Prepayments and accrued income	887	1,128
ACT recoverable	91	243
	5,645	6,745

14 CREDITORS: Amounts falling due within one year

As at 31 December	1992 £'000	1993 £'000
Obligations under finance leases and hire purchase contracts	301	186
Bank loans and overdrafts	830	2,442
Trade creditors	3,534	3,807
Other creditors		
—UK corporation tax payable	—	1,297
—VAT	491	339
—ACT payable	91	77
—social security and PAYE	261	243
Proposed dividends	272	—
Accruals and deferred income	607	1,016
	6,387	9,407

15 CREDITORS: Amounts falling due after more than one year

As at 31 December	1992 £'000	1993 £'000
Obligations under finance leases and hire purchase contracts	25	533
Bank loan	6,923	5,769
UK corporation tax payable	436	—
	7,384	6,302

Analysis of borrowings

Borrowings are repayable as follows:

As at 31 December	1992 £'000	1993 £'000
Within 1 year		
—bank	830	2,442
—leases and hire purchase contracts	301	186
Within 1–2 years		
—bank	1,154	1,154
—leases and hire purchase contracts	25	150
Within 2–5 years		
—bank	3,462	3,462
—leases and hire purchase contracts	—	383
	5,772	7,777
Wholly or in part by instalments after five years		
—bank	2,307	1,153
	8,079	8,930

The bank loan is repayable in equal half-yearly instalments, beginning in July 1993 and ending on 15 July 1999. The rate of interest is variable based on the Company's overall level of borrowings and the LIBOR interest rate.

The security on the loan and overdraft is by deed of charge incorporating fixed and floating charges over all the Company's assets, and a specific charge over the freehold premises.

16 CALLED-UP SHARE CAPITAL

As at 31 December	1992 £	1993 £
Authorised, allotted, called-up and fully-paid		
184,000 ordinary shares of 10p each	18,400	18,400
216,000 9.5% cumulative convertible redeemable preferred ordinary shares of 10p each	21,600	21,600
5,300,000 9.5% cumulative redeemable preference shares of £1 each	5,300,000	5,300,000
	5,340,000	5,340,000

The 9.5% cumulative redeemable preference shares are redeemable at par on Admission to listing and on the Placing Agreement becoming unconditional.

Subsequent to the year end, in accordance with the Articles and by special resolution passed on 4 May 1994 and resolutions of the Directors passed on the same day, the share capital of the Company was reorganised subject to and conditional upon admission to listing and on the Placing Agreement becoming unconditional as follows:

(a) 144,568 preferred ordinary shares were converted into 144,568 ordinary shares of 10p each and the remaining 71,432 preferred ordinary shares will be redeemed for an aggregate sum of 1p;

(b) each of the ordinary shares was sub-divided into two Ordinary Shares of 5p each;

(c) the sum of £892,143 (being the balance of £189,841 on the share premium account and £702,302 of the profit and loss account) was utilised in paying up in full at par 17,842,865 Ordinary Shares, those shares being issued to the existing holders of the Ordinary Shares in the proportion 27.1525 Ordinary Shares for each Ordinary Share held.

The number of 5p Ordinary Shares in issue after the above reorganisation will be 18,500,001.

17 RESERVES

As at 31 December	1992 £'000	1993 £'000
Share premium account:		
Beginning of year	—	190
Premium on allotments	360	—
Costs written off on acquisition of business	(170)	—
End of year	190	190
Other reserves:		
Beginning of year		1,006
Fair value adjustment arising on acquisition of business	1,016	—
Transfer to profit and loss account	(10)	(16)
End of year	1,006	990
Profit and loss account:		
Beginning of year	—	335
Retained profit for the year	751	1,892
Net profit earned prior to management buy-out	(426)	—
Transfer from other reserves	10	16
End of year	335	2,243

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

As at 31 December	1992 £'000	1993 £'000
Profit for the financial year	1,023	2,416
Dividends	(272)	(524)
New share capital subscribed, net of issue costs	5,530	—
Fair value adjustment arising on acquisition of business	1,016	—
Net profit earned prior to management buy-out	(426)	—
Net addition to shareholders' funds	6,871	1,892
Opening shareholders' funds	—	6,871
Closing shareholders' funds	6,871	8,763

19 CASH FLOW INFORMATION

(a) Reconciliation of operating profit to net cash inflow from operating activities

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Operating profit	1,917	2,853	3,956
Costs arising on management buy-out	—	(389)	—
Depreciation charges	572	561	646
Profit on sale of tangible fixed assets	—	(2)	(6)
Increase in stocks	(211)	(342)	(2,242)
(Increase) decrease in debtors	(1,986)	1,327	(1,077)
Increase (decrease) in creditors	831	(127)	480
Net cash inflow from operating activities	1,123	3,881	1,757

(b) Analysis of changes in financing

	Share capital (including premium) £'000	Loans £'000	Hire purchase and finance lease obligations £'000
Balance at 1 January 1991	—	11,853	1,091
Net inflow (outflow) from financing	—	2,054	(329)
Balance at 31 December 1991	—	13,907	762
Net inflow (outflow) from financing	5,530	6,610	(436)
Removal of group loans at management buy-out	—	(13,017)	—
Balance at 31 December 1992	5,530	7,500	326
Net outflow from financing	—	(577)	(312)
Inception of hire purchase contracts	—	—	705
Balance at 31 December 1993	5,530	6,923	719

The removal of group loans and the inception of hire purchase contracts are the only major non-cash transactions.

(c) Analysis of changes in cash and cash equivalents

Year ended 31 December	1991 £'000	1992 £'000	1993 £'000
Cash at bank and in hand:			
Balance at beginning of year	—	762	806
Net cash inflow (outflow)	762	44	(803)
Balance at end of year	762	806	3
Bank overdrafts:			
Balance at beginning of year	(117)	—	(253)
Net cash inflow (outflow)	117	(253)	(1,035)
Balance at end of year	—	(253)	(1,288)
Net increase (decrease) in cash and cash equivalents during the year	879	(209)	(1,838)

(d) *Acquisition of the wallcoverings business*

Net assets acquired	£'000
Tangible fixed assets	7,425
Stocks	5,362
Debtors	5,568
Creditors	(4,348)
Satisfied by cash	14,007

On 26 June 1992 the Company acquired the trade, assets and liabilities of the wallcoverings business of the Vymura operating division of Weston-Hyde Products Limited, for a net consideration of £14,007,000.

ADDITIONAL NOTES

20 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(a) *Capital commitments*

As as 31 December	1992 £'000	1993 £'000
Contracted for but not provided for	433	169
Authorised but not contracted for	179	—
	612	169

(b) *Lease commitments*

The Company has entered into *non-cancellable operating leases in respect of* plant and machinery and motor vehicles, the payments for which extend over varying periods. The total annual rental (including interest) for the year ended 31 December 1993 was £201,652 (1992—£331,000).

The minimum annual rentals under the foregoing leases are as follows:

	Plant and machinery 1994 £'000
Operating leases which expire	
—within 1 year	78
—within 2–5 years	121
—after 5 years	22
	221

(c) *Pension arrangements*

The Company's principal pension scheme is the Vymura Pension Plan. The scheme, which covers 88% of employees, is of the defined benefit type with assets held in a separate trustee administered fund.

Before the management buy-out on 26 June 1992, Directors and employees participated in the European Vinyls Corporation (UK) Pension Plan. Prior to the Vymura Pension Plan, from 26 June 1992 to 30 September 1992, the Company continued to participate in the European Vinyls Corporation (UK) Pension Plan. This temporary period of participation in the previous scheme was treated as a centralised or industry-wide scheme. Consequently, the contributions actually paid are satisfactory to determine the SSAP 24 regular pension cost.

Assets were transferred from the European Vinyls Corporation (UK) Pension Plan into the Vymura Pension Plan based on an actuarial valuation. The market value of the assets of the scheme at the date of the actuarial valuation on 30 September 1992 was £5 million. The actuarial value of the scheme assets represented 118% of the liabilities for benefits that had accrued to members, after allowing for expected future increases in earnings.

The principal assumptions used in the valuation were:

Investment return	9½%	per annum
Increase in earnings	7%	per annum
Dividend growth	5%	per annum
Pension increases	4½%	per annum

The pension charge for the year to 31 December 1993 was £496,000 (1992 —£504,000) and reflects the benefit of an excess of assets over liabilities in the pension scheme which was not anticipated at the time of the management buy-out. This excess is being spread over the average remaining service lives of employees.

The Company also operates a defined contribution scheme for certain senior employees. The pension charge for the scheme is the amount of contributions payable and totalled £46,000 in the year to 31 December 1993 (1992 —£33,000).

Yours faithfully,

ARTHUR ANDERSEN
Chartered Accountants

PART III PRO FORMA STATEMENT OF NET ASSETS

The Directors set out below an unaudited pro forma statement of net assets of the Company as at 31 December 1993. This statement is included for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position of the Company.

PRO FORMA STATEMENT OF NET ASSETS

The pro forma statement of net assets of the Company set out below is based on the balance sheet of the Company as at 31 December 1993, as set out in the Accountants' Report in Part II, adjusted only to reflect the effect of the following items:

(i) the receipt of the net proceeds of the Placing of £10 million taking into account the estimated expenses of the Placing of £0.85 million; and

(ii) the application of the net proceeds in redeeming the Preference Shares (including accrued dividends) and reducing the Company's net indebtedness as set out in note 1 below.

At 31 December 1993	Per Accountants' Report £'000	Adjustments (Notes 1 & 2) £'000	Pro forma £'000
Fixed assets	9,363	—	9,363
Current assets			
Assets held for sale	500	—	500
Stocks	7,861	—	7,861
Debtors	6,745	—	6,745
Cash at bank and in hand	3	3,212	3,215
Creditors: Amounts falling due within one year	(9,407)	1,288*	(8,119)
Net current assets	5,702	4,500	10,202
Total assets less current liabilities	15,065	4,500	19,565
Creditors: Amounts falling due after more than one year	(6,302)	—	(6,302)
Net assets	8,763	4,500	13,263
Net (debt)/cash**	(8,927)	4,500	(4,427)

* Represents the bank overdraft as at 31 December 1993.

**Net debt comprises bank loans and overdrafts and obligations under finance leases and hire purchase contracts less cash.

Notes

1. The adjustments shown in the table above reflect the application of the estimated net proceeds of the Placing of £10 million as follows:

	£'000
Reduction in net indebtedness	4,500
Redemption of Preference Shares	5,300
Payment of accrued Preference Share dividends	200
Net proceeds of Placing	10,000

2. No adjustments have been made to reflect any trading since 31 December 1993.

PART IV ADDITIONAL INFORMATION

1. THE COMPANY AND ITS SHARE CAPITAL

(a) The Company was incorporated and registered in England and Wales on 19 July 1991 under the name of Foxgen Trading Limited with registered number 2630824, as a private company with limited liability under the Act. The Company changed its name to Talbot Wallcoverings Limited on 7 April 1992 and to Vymura International Limited on 29 June 1992. A certificate of re-registration as a public limited company was issued and the Company changed its name to Vymura plc on 15 April 1994.

(b) On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, of which two shares were issued at par to the subscribers to the Memorandum of Association.

(c) By ordinary resolutions passed on 26 June 1992, 1,000 ordinary shares of £1 each in the capital of the Company were each sub-divided into 10 ordinary shares of 10p each ("ordinary shares"), and the authorised share capital of the Company was increased to £5,340,000 by the creation of 174,000 ordinary shares, 5,300,000 Preference Shares and 216,000 cumulative convertible redeemable preferred ordinary shares of 10p each ("preferred ordinary shares").

(d) On 26 June 1992, 45,999 ordinary shares were allotted to each of Thomas Small and Robert Arthur Bradbury and 46,000 ordinary shares were allotted to each of George Lawrence Blenkinship and Terence Langstroth, all for cash at a premium of 90 pence per ordinary share.

(e) On 26 June 1992, 3,131,000 Preference Shares were allotted to Barclays Industrial Development Limited for cash at par and 127,603 preferred ordinary shares were allotted to Barclays Industrial Development Limited for cash at a premium of 90 pence per share. On 26 June 1992, 2,169,000 Preference Shares were allotted to Barclays Private Bank & Trust Limited (formerly Barclays Trust International Limited) ("BPB") for cash at par and 88,397 preferred ordinary shares were allotted to BPB for cash at a premium of 90 pence per share.

(f) In accordance with the Company's Articles of Association, immediately prior to Admission 144,568 preferred ordinary shares will be converted into 144,568 ordinary shares of 10p each and (in accordance with an election of the Board dated 4 May 1994) the remaining 71,432 preferred ordinary shares will be redeemed for an aggregate sum of 1p (the "remaining preferred ordinary shares").

(g) Pursuant to special resolutions of the Company passed on 4 May 1994, conditional upon and taking effect upon Admission becoming effective by no later than 12 May 1994 (or such later date as the Company and BZW may agree but in any event no later than 31 May 1994) and on the Placing Agreement referred to in paragraph 9 below becoming unconditional in all respects and not being terminated prior to Admission:

(i) each of the ordinary shares of 10p each (including ordinary shares following the conversion referred to in paragraph (f) above) was sub-divided into two Ordinary Shares of 5p each;

(ii) the authorised share capital of the Company was increased from £5,340,000 to £7,057,143 by the creation of an additional 34,342,864 Ordinary Shares;

(iii) the Directors were authorised pursuant to section 80 of the Act to allot relevant securities (as defined in section 80) up to a maximum nominal value of £1,681,810, such authority to expire at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in General Meeting), provided always that (in the case of any allotment made otherwise than pursuant to the resolutions referred to in paragraphs (iv) and (v)(aa) below) such authority is limited to relevant securities up to a maximum nominal value of £428,000 and further provided always that the Company may before such authority expires make any offer or agreement which would or might require relevant securities to be allotted after such authority expires and the Directors may allot relevant securities notwithstanding that such authority has expired, if they had allotted in pursuance of such offer or agreement;

(iv) the Directors were authorised and directed to capitalise the sum of £892,143 (being, as to £189,841, the amount standing to the credit of the share premium account of the Company as at 4 May 1994 and as to £702,302 part of the amount standing to the credit of the profit and loss account of the

Company as at 4 May 1994) and to apply the same in paying up 17,842,865 Ordinary Shares in full at par and allotting the same (pursuant to the authority in paragraph (iii) above) to the holders of Ordinary Shares in the Company as at 4 May 1994;

(v) the Directors were authorised and empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) as if section 89(1) of the Act did not apply to any such allotments, provided that such power be limited to:

(aa) the allotment of equity securities to a nominal value of £361,667 pursuant to the Placing;

(bb) the allotment of equity securities in connection with an offer by way of rights to holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them, subject to such exclusions or arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements otherwise arising or legal or practical problems with the laws or regulations of any regulatory authority in any territory;

(cc) the allotment of equity securities which are to be wholly paid up in cash (otherwise than pursuant to sub-paragraphs (aa) or (bb) above) up to an aggregate nominal amount of £64,300 (being approximately five per cent of the aggregate amount of the Company's issued share capital following Admission);

such authority and power to expire at the end of the next annual general meeting of the Company following the passing of the resolution or 4 August 1995, whichever is the earlier, save that the Company may make an offer or agreement before the expiry of such authority which would or might require equity securities to be allotted pursuant thereto after it had expired and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power so conferred has expired.

(h) In accordance with the existing Articles of Association of the Company, on Admission the Company will redeem the Preference Shares for cash at £1.00 per share (being the issue price) together with accrued dividends.

(i) By a special resolution of the Company passed on 4 May 1994, and conditionally on the redemption of the Preference Shares and the remaining preferred ordinary shares, the Company adopted the new Articles of Association, details of which are set out in paragraph 4 below.

(j) Save as aforesaid, there have been no alterations to the capital of the Company since its incorporation and preceding the Placing.

(k) Save as disclosed in this paragraph 1, no share capital of the Company or (so far as is material) any of its subsidiaries has within three years before the date of this document, been issued or agreed to be issued (other than in relation to the Share Schemes described in paragraph 7 below) or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash, and no commissions, discounts or brokerages or other special terms have in that period been granted by any member of the Group in connection with the sale or issue of any share or loan capital of any such company.

(l) Pursuant to the Executive Scheme, it is intended to grant options to acquire up to a total of 509,000 Ordinary Shares prior to Admission. These options will generally be exercisable between three and ten years after their grant at a price per share equal to the Placing Price. Pursuant to the SAYE Scheme, invitations to apply for options will be issued following Admission pursuant to any applications received following Admission. These options will generally be exercisable during the six month period starting with the date on which the Sharesave Contract expires. Capitalised terms in this sub-paragraph have the meaning given in paragraph 7 below.

(m) Save as disclosed in this paragraph 1, no share or loan capital of any member of the Group is proposed to be issued or is under option or is agreed, conditionally or unconditionally, to be put under option.

(n) Following Admission and the redemption of the Preference Shares and the remaining preferred ordinary shares, the authorised share capital of the Company will be £7,057,143 divided into 35,000,000 Ordinary Shares, 5,300,000 unclassified shares of £1 each and 71,432 unclassified shares of 10p each of which 25,733,334 Ordinary Shares will have been issued and 9,266,666 Ordinary Shares (representing approximately 26.5 per cent of the Company's authorised ordinary share capital) will be unissued. It is the Board's intention to recommend to shareholders that the authorised but unissued unclassified shares of £1 each and unclassified shares of 10p each be cancelled in accordance with the provisions of the Act at the first general meeting of the Company following Admission. In any event no issue of these unclassified shares will be made without the prior approval of the shareholders in general meeting.

(o) Section 89 of the Act, to the extent not disapplied pursuant to the resolution referred to in sub-paragraph (g)(v) above, confers on the holders of Ordinary Shares preferential subscription rights in respect of equity securities (as defined in section 94(2) of the Act) of the Company issued for cash.

2. SUBSIDIARIES

(a) The Company is the holding company of Newbrush Limited, a wholly owned dormant subsidiary. Newbrush Limited has an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which two have been issued, fully paid for cash at par. Newbrush Limited was incorporated in England on 17 February 1992 with registered number 2688180 and its registered office is at PO Box 15, Talbot Road, Hyde, Cheshire SK14 4EJ.

(b) The Company is also the holding company of Vymura Employee Trust Limited (formerly Coregrove Limited), a wholly-owned dormant subsidiary. Vymura Employee Trust Limited has an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which two have been issued, fully paid for cash at par. Vymura Employee Trust Limited was incorporated in England on 7 March 1994 with registered number 2905488 and its registered office is at PO Box 15, Talbot Road, Hyde, Cheshire SK14 4EJ.

3. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on business as manufacturers, designers, printers, contractors, distributors and dealers in paints, paper substances, vinyls, wallpapers, fabrics, textile materials, hangings, decorating materials and prints of every description. The objects of the Company are set out in clause 3 of its Memorandum of Association which is one of the documents referred to in paragraph 16 below as being available for inspection at the address specified.

4. ARTICLES OF ASSOCIATION

The Articles of Association ("the Articles") were amended pursuant to a special resolution of the Company passed on 4 May 1994, subject to and conditional upon Admission becoming effective by 12 May 1994. The Articles (as amended) contain provisions, *inter alia,* to the following effect:

(a) Share capital

The authorised share capital of the Company is £7,057,143 divided into 35,000,000 Ordinary Shares, 5,300,000 unclassified shares of £1 each and 71,432 unclassified shares of 10p each.

(b) Share rights

Subject to the Act and other relevant legislation (the "Companies Acts") and special rights previously conferred on the holders of existing shares any shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide.

(c) Dividends and other distributions

The Company may by ordinary resolution declare dividends, but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Companies Acts, or in excess of the amount recommended by the Directors. The Directors may pay interim dividends if and so far as, in the opinion of the Directors, the profits of the Company justify such payments.

With the sanction of an ordinary resolution of the Company, any dividend may be paid and satisfied wholly or partly by the distribution of specific assets.

Subject to any rights or privileges for the time being attached to any shares in the capital of the Company having preferential or special rights with regard to dividend, dividends will be paid in proportion to the amounts paid up on the shares and apportioned and paid *pro rata* according to the portion or portion of the period in respect of which the dividend is paid during which any such amount or amounts were paid up.

All unclaimed and retained dividends after a period of 12 years from the date when such dividend became due for payment will be forfeited and will revert to the Company. All unclaimed and retained dividends may be invested or otherwise made use of by the Directors for the benefit of the Company as they shall think fit until the same be claimed or cease to be liable to retention.

The Directors may retain any dividend or other moneys payable in respect of a share on which the Company has a lien.

The Directors may, with the sanction of the Company by ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive, in respect of all or part of their holding of Ordinary Shares, additional Ordinary Shares in the Company fully paid by way of scrip dividends instead of cash.

The Company may cease sending cheques or warrants by post for any dividend in respect of any shares if at least two consecutive dividends have been returned undelivered or left uncashed or if following one cheque or warrant which has been returned undelivered or left uncashed, reasonable enquiries have failed to establish any new address of the registered holder. The Company must recommence sending cheques or warrants if the holder or the person entitled by transmission claims the arrears.

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution, divide among the members the whole or any part of the assets of the Company, whether the assets are of the same kind or not.

The Directors may retain any dividend payable in respect of shares if a notice has been duly served in respect of the shares pursuant to section 212 of the Act and the shares represent one-quarter per cent or more in nominal value of the issued shares of any class of the capital in the Company and if the person or persons on whom the notice was served have failed to comply in full to the satisfaction of the Directors with the requirements of that notice within the specified period for compliance.

(d) Variation of rights

Subject to the provisions of the Act, whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, extended, abrogated or surrendered either in the manner provided by such rights or, in the absence of any such provision, with the written consent of the holders of at least three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class. The provisions of the Act and the Articles relating to general meetings shall *mutatis mutandis* apply to any such separate general meeting, except that:

(i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;

(ii) the necessary quorum shall be at least two persons present in person and holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or at any adjourned meeting of holders of shares of that class at which the quorum is not present, shall be one holder of shares of the class in question who is present in person or by proxy;

(iii) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and

(iv) on a poll every holder of shares of the class in question shall have one vote in respect of every share of that class held by him.

(e) Voting rights

Subject to any special rights, restrictions or prohibitions attached to any special class of shares, on a show of hands any member personally present or (being a corporation) present by a duly appointed representative, shall have one vote only and on a poll every member present in person or by proxy shall have one vote for every share of which he is a holder.

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands, or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court and such receiver, curator bonis or other person may, on a poll, vote by proxy. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company in respect of the share.

No member shall be entitled to be present or vote at a general meeting, either in person or by proxy, or to exercise any other right in relation to the meetings of the Company in respect of that share if:

(i) any call or such other sum as is presently payable by him to the Company in respect of that share remains unpaid; or

(ii) he or any other person or persons who appear(s) to be interested in that share has/have been duly served with a notice under section 212 of the Act concerning the disclosure of interests in shares, and he or such other person or persons is/are in default in complying with such notice; or

(iii) he has been served with a notice which requires him to provide or procure the provision to the Company of a written statement by the beneficial owner(s) of that share and providing such other information (if any) regarding that share as may be required by such notice and he is in default in complying with such notice.

(f) Lien and Forfeiture

The Company will have a lien (enforceable by sale) on every partly-paid share for all amounts payable to the Company in respect of that share. The Board may call any monies unpaid on shares and may forfeit shares on which call amounts payable under the terms of issue are not duly paid.

(g) Transfer of shares

Except as may be provided by the Act, all transfers of shares may be effected by a transfer in writing in any usual or common form or in any other form acceptable to the Directors. A transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof.

The Directors may, in their absolute discretion and without giving any reason, refuse to register or authorise the registration of any transfer of a share which is not fully paid, and may refuse to register the transfer of share on which the Company has a lien.

The Directors may also refuse to register the transfer of a share unless:

(i) it is deposited duly stamped (if necessary) at the place where the register of members is situated for the time being or at such other place as the Directors may determine from time to time and accompanied by the relevant certificate(s) (where a certificate has been issued in respect of the shares) and such other evidence the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) it is in respect of one class of share only;

(iii) it is in favour of not more than four transferees.

The Directors may in their absolute discretion and without giving any reason refuse to register or to authorise the registration of any transfer of shares where a notice has been duly served in respect of the shares under section 212 of the Act and the shares the subject of that notice represent at least one-quarter per cent in nominal value of the issued shares of any class of the capital of the Company and if the person or persons on whom the notice was served have failed to comply in full to the satisfaction of the Directors with the requirements of the notice within the period for compliance specified in the notice unless the transfer is pursuant to a sale through a recognised stock exchange or other recognised market or as a result of an acceptance of a take over offer.

If the Directors refuse to register or to authorise the registration of a transfer they shall within two months after the date on which the transfer was lodged, send to the transferee notice of the refusal. Subject to the Act, the registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine.

No fee shall be charged by the Company for the registration of any transfer or other document or instructions relating to or affecting the title to any shares. Any instrument of transfer which is registered may be retained by the Company but any instrument of transfer which the Directors refuse to register shall (except in the case of fraud) be returned to the person lodging it when notice of refusal is given.

(h) Alteration of share capital

The Company may, subject to the requirements of the Companies Acts, by ordinary resolution increase, consolidate or sub-divide its share capital. The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account.

(i) Purchase of own shares

The Company may also, subject to the requirement of the Companies Acts and the rights of the holders of any class of shares, purchase its own shares. Any purchases must be authorised by an extraordinary resolution of the Company.

(j) General meetings

Annual general meetings will be held once in every year at such time (within a period of not more than fifteen months after the holding of the last preceding annual general meeting) and place as may be determined by the Board. The Board may convene an extraordinary general meeting whenever it thinks fit.

(k) Directors

(i) Appointment of Directors

Directors may be appointed by the Company or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and is not taken into account in determining the Directors who are to retire by rotation at that meeting.

(ii) Age of Directors

Each Director shall retire from office at the conclusion of the annual general meeting commencing next after he attains the age of 70 and shall not be eligible for re-election.

(iii) Retirement of Directors by Rotation

At every annual general meeting of the Company, as nearly as possible, one-third of the Directors will retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who are appointed or re-appointed on the same day will be (unless they otherwise agree) determined by lot.

(iv) Restrictions on voting

Save as provided in this paragraph (k)(iv), a Director shall not vote or be counted in the quorum in relation to any resolution of the Board concerning any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has an interest (other than his interest in shares or debentures or other securities of the Company) which is material and if he shall do so, his vote shall not be counted.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(aa) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiary undertakings;

(bb) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of a security;

(cc) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(dd) any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances);

(ee) a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved for taxation purposes by the Inland Revenue or is conditional upon such approval or does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; and (ff) the purchase and/or maintenance of any insurance policy for or for the benefit of Directors or for persons who include Directors.

A Director shall not vote or be counted in a quorum on any resolution concerning his own appointment as holder of any office or place of profit with the Company or any company in which the Company is interested, including settling or varying the terms of his appointment or the termination thereof.

(v) Remuneration of Directors

Each of the Directors who is not a managing or executive Director may be paid a fee for his services at such rates determined by the Directors from time to time provided that the aggregate of such fee shall not exceed £150,000 per annum (exclusive of value added tax, if applicable) or such other amount as the Company may in general meeting determine from time to time.

The Directors (including alternate Directors) may be paid all travelling, hotel and other expenses properly incurred by them in and about the business of the Company including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings. Any Director who devotes special attention to the business of the Company or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.

(vi) Pensions and gratuities for Directors

The Board may exercise the powers of the Company to provide benefits whether by payment of gratuities, pensions, annuities, allowances, or other benefits for any Director or former Director who holds or has held any office or place of profit with the Company or a subsidiary of it and for any member and his family or any of his dependants and may establish and contribute to any such scheme or fund for the benefit of all or any such persons.

The Board may delegate its power to determine or vary the remuneration of any Director who holds any executive office or employment to a remuneration committee but such committee shall only have the power to make recommendations to the Board in respect of remuneration and benefits.

(vii) Permitted interests of Directors

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director and may be paid remuneration for so doing. A Director may also be or become a Director or other officer of or member of any company in which the Company may be interested and will not be liable to account to the Company or the members for any benefit received by him.

Subject to the provisions of the Companies Acts and provided he has disclosed his interest in accordance with the Companies Acts, a Director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to the Company for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

(viii) Borrowing and other powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate amount from time to time owing to persons outside the Group without the previous sanction of the Company by ordinary resolution does not exceed an amount equal to three times the adjusted capital and reserves.

(ix) Indemnity of officers

Subject to the Companies Acts, the Company may purchase and maintain for any Director or other officer insurance against any liability. Every Director or other officer will be indemnified by the Company against any liability incurred as a Director or other officer in the exercise of his duties including any liabilities incurred in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.

(l) Division of assets on a winding-up

Subject to any special rights for the time being attached to any class of shares, on a return of assets on liquidation, the surplus assets of the Company, after payment of liabilities, shall be distributed in proportion to the amounts paid up on the issued shares.

With the sanction of an extraordinary resolution, the liquidator of the Company may divide the whole or any part of the assets of the Company in specie among the members.

(m) Untraced shareholders

The Company may sell any shares in the Company after advertising its intention and waiting for three months and notifying the London Stock Exchange of its intention to sell, if the shares have been in issue for at least 12 years and during that period at least three cheques or warrants have been sent to the member and have not been cashed, and so far as any Director is aware, the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

(n) Record date for service

Any document may be served or delivered by the Company by reference to the register as it stands at any time not more than 15 days before the date of service or delivery and no change in the register after that time shall invalidate that service. Where any document is served on any person in respect of a share, no person deriving any title or interest in that share shall be entitled to any further service of that document.

(o) Members resident abroad

Members with registered addresses outside the UK are not entitled to receive notices from the Company unless they have given the Company an address within the UK at which such notices may be served.

5. DIRECTORS' AND OTHER INTERESTS

(a) The interests of the Directors as notified under section 324 or 328 of the Act, and which appear or will appear in the register maintained under section 325 of the Act, and of persons connected with the Directors within the meaning of section 346 of the Act in the issued share capital of the Company (all of which are, unless otherwise stated, beneficial) as at the date of this document and immediately following the Placing, will be as follows:

	At present*		Following the Placing	
Director	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
I W Bell	—	—	2,000	0.01
T Smail	2,556,245	13.82	1,278,122	4.97
T Langstroth	2,556,245	13.82	1,278,122	4.97
R A Bradbury	2,556,245	13.82	1,278,122	4.97
G L Blenkinship	2,556,245	13.82	1,278,122	4.97
R A Finnis	—	—	2,000	0.01
A J Garety	—	—	2,000	0.01

*Note: assumes that the conversion of the preferred ordinary shares, the redemption of the Preference Shares and the remaining preferred ordinary shares, the subdivision of the ordinary shares and the capitalisation issue, each as referred to in paragraph 1 above, have taken place.

No other persons connected (within the meaning of section 346 of the Act) with the Directors have any interest in the ordinary share capital of the Company.

(b) Save as set out in this paragraph and in paragraph 5(a) above, the Directors have not been informed of any interest (within the meaning of Part VI of the Act) in the ordinary share capital of the Company which, at the date of this document and immediately following the Placing, would amount to three per cent or more of the issued ordinary share capital of the Company:

	At present*		Following the Placing	
Shareholder	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Barclays Trust International Limited	3,331,282	18.01	1,665,641	6.47
Barclays Industrial Development Limited	3,331,282	18.01	1,665,641	6.47
3i Group Plc	738,721	3.99	369,360	1.44
Prudential Nominees Limited**	738,608	3.99	738,608	2.87

*Note: assumes that the conversion of the preferred ordinary shares, the redemption of the Preference Shares and the remaining preferred ordinary shares, the subdivision of the ordinary shares and the capitalisation issue, each as referred to in paragraph 1 above, have taken place.

**This shareholding is held on behalf of clients of the Prudential Corporation group of companies.

(c) No Director has any interest direct or indirect in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

(d) No loans or guarantees have been granted or provided to, or for the benefit of, any of the Directors by the Group.

6. DIRECTORS' SERVICE AGREEMENTS

(a) The following Directors have entered into service agreements with the Company and the annual salaries will be as follows:

Director	Annual Salary
T Smail	£105,000
T Langstroth	£72,500
R A Bradbury	£72,500
G L Blenkinship	£72,500

The service agreements provide for the remuneration of the Directors to be reviewed annually on 1 March of each year. The next review will take place on 1 March 1995. Each of the service agreements is for a fixed term of two years commencing on 1 March 1994, terminable thereafter by either party giving to the other not less than one year's previous notice in writing to expire on or after the end of the fixed term.

(b) By a letter of appointment dated 9 March 1994 Mr I W Bell was appointed a Non-Executive Director and Chairman of the Company for a period of three years commencing on 1 March 1994. During the term of his appointment he will be paid a fee of £35,000 per annum and has agreed to perform his duties for a minimum of 24 days per annum.

(c) By a letter of appointment dated 31 March 1994 Mr A J Garety was appointed a Non-Executive Director of the Company for a period of three years commencing on 1 April 1994. During the term of his appointment he will be paid a fee of £12,000 per annum.

(d) By a letter of appointment dated 4 April 1994 Mr R A Finnis was appointed a Non-Executive Director of the Company for a period of three years commencing on 1 April 1994. During the term of his appointment he will be paid a fee of £12,000 per annum and he has agreed to perform his duties for a minimum of 15 days per annum.

(e) Save as disclosed above, there are no service agreements existing or proposed between any Director and any member of the Group which are not terminable by the employing company without payment of compensation (other than statutory compensation) within one year.

(f) The aggregate emoluments of the Directors (including pension contributions and the value of benefits in kind) paid during the year ended 31 December 1993 were £392,000. The aggregate emoluments of the Directors (including pension contributions and the value of benefits in kind) expected to be paid during the year ending 31 December 1994 under arrangements currently in force are £451,000.

7. SHARE SCHEMES

(a) Introduction

As part of the arrangements for its employees to acquire Ordinary Shares in the Placing under the Matching Offer the Company has established a share appropriation scheme constituted by a trust deed made between the Company and Vymura Employee Trust Limited (a wholly-owned subsidiary of the Company) as trustee (the "Share Appropriation Scheme"). The Share Appropriation Scheme can also be used in future years to allocate Ordinary Shares to employees out of profits if the Directors so determine.

In addition the Company established on 14 April 1994 a save-as-you earn share option scheme (the "SAYE Scheme") and an executive share option scheme (the "Executive Scheme").

The Share Appropriation Scheme, the SAYE Scheme and the Executive Scheme have been approved by the Inland Revenue under the Income and Corporation Taxes Act 1988 ("ICTA"). The schemes are described in more detail below.

Certain provisions of the schemes may be altered by the Directors, or in the case of the Executive Scheme, the Company's remuneration committee (the "Remuneration Committee"), with the approval of the Inland Revenue but their basic structure (and, in particular, the limitations on each individual's participation and on the number of Ordinary Shares which may be issued under the schemes) cannot be altered without the prior sanction of the Company in general meeting (unless in respect of the Executive Scheme or the SAYE Scheme the alteration arises as a result of a rights or capitalisation issue, subdivision, consolidation or reduction of the Company's share capital) in which case the adjustments must be confirmed by the Company's auditors to be in their opinion fair and reasonable.

Ordinary Shares allotted or transferred under the schemes will rank (save for rights determined by reference to a date prior to the date of appropriation, in the case of allocation pursuant to the Share Appropriation Scheme, and the date of allotment or transfer in the case of the exercise of options under the SAYE Scheme and the Executive Scheme) *pari passu* in all respects with the other Ordinary Shares then in issue. Application will be made for any Ordinary Shares so allotted to be admitted to the Official List of the London Stock Exchange.

(b) The Share Appropriation Scheme

The Ordinary Shares to be made available free of charge to employees under the Matching Offer will be acquired by the trustee of the Share Appropriation Scheme (the "Trustee") using funds provided by the Company at the Placing Price and will be appropriated to eligible employees participating in the Matching Offer on the terms of the Share Appropriation Scheme. If the Directors decide that the Share Appropriation Scheme will be operated in future years the Company and each participating subsidiary will make payments to the Trustee who will use the funds either to buy Ordinary Shares in the market or to subscribe for them. The subscription price, provided the Ordinary Shares are listed on the London Stock Exchange, will be the greater of the nominal value of an Ordinary Share on the date of subscription and the middle market value thereof derived from the Daily Official List for the dealing day immediately preceding the date of subscription or for the first subscription, the value, as agreed with the Inland Revenue, of the Ordinary Shares.

The Directors will determine, for any year the Share Appropriation Scheme is operated, the proportion of the profits of the Company and its subsidiaries of the relevant financial year to be allocated to the Share Appropriation Scheme, which may not exceed five per cent of the profit (before tax and excluding exceptional items) of the Company and its subsidiaries.

The Share Appropriation Scheme provides various bases of allocation of Ordinary Shares amongst employees. The Directors can decide to allocate Ordinary Shares equally on a contributory basis or in accordance with relative salary and/or length of service. The Directors may also require that, subject to certain limits, employees must transfer Ordinary Shares to the Trustee, on terms included in the Share Appropriation Scheme rules ("Contributory Shares"), as a condition of being allocated Ordinary Shares under the Share Appropriation Scheme.

All UK employees with such period of qualifying service not exceeding five years, as the Directors may determine, and who are required to work at least a minimum number of hours (between 16 and 25 hours a week) determined by the Directors, are entitled to participate.

The maximum value of Ordinary Shares allocated to any participant under the Share Appropriation Scheme in any tax year may not currently exceed the greater of £3,000 and 10 per cent of salary (subject to a maximum of £8,000).

ICTA requires that Ordinary Shares allocated pursuant to the Share Appropriation Scheme must be held by the Trustee for a minimum period of two years after allocation, during which they may not be dealt with in any way except in certain circumstances such as upon a takeover or certain reconstructions, or upon death, or reaching the specified age (65), or leaving employment because of injury, disability or redundancy. Any Contributory Shares transferred to the Trustee by participants as a condition of being allocated Ordinary Shares under the Share Appropriation Scheme, must be held by the Trustee for the same period of two years after which they will be transferred to the participant or to a single company personal equity plan ("PEP") if one is available to the participants and the participant so requires. For the following three years the Trustee must retain the Ordinary Shares on the terms of the Share Appropriation Scheme unless a participant directs otherwise. At the end of the five year period, the Ordinary Shares will be transferred to the participant or to a single company PEP if one is available to the participant and the participant so requires.

Whilst a participant's Ordinary Shares remain held by the Trustee, the participant will be the beneficial owner of the Ordinary Shares and he will be entitled to receive dividends and, through the Trustee, to vote and to participate in rights and capitalisation issues and to elect to receive scrip dividends in substantially the same way as other shareholders.

(c) The Executive Scheme

The Executive Scheme will, following Admission, be administered by the Remuneration Committee. Prior to Admission the Executive Scheme will be administered by the Board.

All full time directors and employees of the Company and any of its subsidiaries who work for at least 25 hours and 20 hours respectively per week (excluding meal breaks) are eligible to be nominated for participation in the Executive Scheme at the invitation, following Admission, of the Remuneration Committee or, prior to Admission, the Board which has discretion in selecting the persons to whom options are to be granted and (subject to the limits set out below) in determining the number and terms of options to be so granted. The Executive Scheme permits the Company to grant options over unissued Ordinary Shares.

Options will be sent out by the Board prior to Admission at an option price equal to the Placing Price, subject to the approval of the Inland Revenue. The exercise of such options is conditional upon Admission. Following Admission further invitations may be sent out by the Remuneration Committee normally only within the period of 28 days following Admission or the announcement of the Company's results for a financial half-year or full year. No further options may be granted after the tenth anniversary of the adoption of the Executive Scheme.

Options, which are not transferable, will entitle the recipient to acquire Ordinary Shares at a price per share determined (at the date of grant of an option) by the Remuneration Committee or the Board as appropriate and being (i) in the case of options granted after Admission, not less than the average of the middle market quotation of an Ordinary Share as derived from the Official List of the London Stock Exchange for the three dealing days immediately preceding the date the invitation to apply for the option is issued, or, (ii) in the case of options granted before Admission, being not less than the market value of an Ordinary Share as agreed with the Shares Valuation Division of the Inland Revenue, subject, in the case of options over unissued Ordinary Shares, to a minimum price equal to the nominal value of an Ordinary Share.

The participation of individuals in the Executive Scheme is limited so that the aggregate price payable on the exercise of all options granted to an employee under the scheme in any ten year period (but leaving out of account options which have been exercised) does not exceed the greater of four times his relevant emoluments or £100,000.

Any options granted by the Remuneration Committee after Admission must be subject to performance condition targets the attainment of which will normally be a condition precedent to the right to exercise the option. At least one of the performance conditions must link the right to exercise the option to a sustained improvement in the financial performance of the Company and its subsidiaries, or any of them. Subject to this, options are normally exercisable not earlier than three years and not later than ten years after their grant by a person who remains a director or employee. Options may, however, be exercised without the necessity for satisfaction of the performance conditions for a limited period in certain specified circumstances, including death, ceasing employment on account of injury, disability or redundancy or retirement or (at the discretion of the Remuneration Committee) if the employee ceases to be employed in any other circumstances. Exercise is allowed in the event of an amalgamation, reconstruction or takeover of the Company, notwithstanding that the performance conditions may not have been satisfied. Alternatively options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Options may also be exercised in the event of the voluntary winding-up of the Company.

(d) The SAYE Scheme

This scheme, which will be operated and administered by the Board, is open to all employees of the Company and participating subsidiaries who are employed on terms which require them to work for 16 hours or more per week and who have been continuously employed for such period as may be specified by the Board (not exceeding five years).

Whenever the SAYE Scheme is operated, each eligible employee will be given the opportunity to apply for an option to acquire (either by purchase or by subscription) Ordinary Shares, the total exercise price of which does not exceed the monthly contributions and bonus repayable under the Save-As-You-Earn Contract ("Sharesave Contract") to be entered into as a condition of the grant of the option. The aggregate monthly contributions payable by an employee under all Sharesave Contracts may not exceed that from time to time allowed by ICTA, currently £250.

Invitations to take up options will first be sent out by the Company immediately following Admission. Thereafter further invitations to apply for options may be issued to eligible employees within the period ending four weeks after the announcement of the interim or final results of the Company. No further options may be granted after the tenth anniversary of the date upon which the SAYE Scheme is approved by the Company in general meeting.

Options are non-transferable.

The exercise price per Ordinary Share may not be less than the higher of (i) 80 per cent of the average of the middle market quotations of an Ordinary Share, as derived from the Official List, for the three consecutive dealing days immediately preceding the date invitations to apply for options are issued to employees, or for the first invitations issued immediately after Admission, 80 per cent of the Placing Price or other value agreed with the Inland Revenue and (ii) in the case of options to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

In normal circumstances, an option may only be exercised while the participant remains employed by the Company or a participating subsidiary and then only during the period of six months starting with the date on which the Sharesave Contract matures, that is, the fifth anniversary of its start. Earlier exercise is permitted in certain circumstances where the employment of the participant terminates due to death, injury, disability or redundancy, retirement or upon reaching the specified age and otherwise at the discretion of the Board or in the event of a change in control, a re-organisation or amalgamation of the Company. The terms of options may be adjusted in the event of certain changes in the capital of the Company.

(e) Limits applying to the Share Schemes

The Share Schemes are subject to the following overall limits on the number of Ordinary Shares which may be acquired by subscription.

(i) in any three year period following Admission the number of unissued shares placed under option under the Executive Scheme and any other share option scheme of the Company (other than a savings related share option scheme) shall not exceed three per cent of the Company's issued share capital for the time being;

(ii) during the period following Admission and prior to the fifth anniversary of the commencement date of the relevant share scheme the number of unissued shares subscribed by the Trustee for allocation under the Share Appropriation Scheme and subscribed pursuant to any other employee share schemes of the Company (other than any share option scheme) and placed under option under the SAYE Scheme, the Executive Scheme and other share option schemes of the Company shall not exceed in aggregate five per cent of the Company's issued share capital for the time being;

(iii) in any three year period following the fifth anniversary of the commencement date of the relevant share scheme the number of unissued shares so subscribed by the Trustee and subscribed pursuant to any other employee share schemes of the Company (other than any share option scheme) and placed under option under the SAYE Scheme, the Executive Scheme and other share option schemes of the Company shall not exceed in aggregate three per cent of the Company's issued share capital for the time being;

(iv) in any year not more than one pe[illegible] of the issued share capital of the Company for the time being may be subscribed by the Trustee for allocation of Ordinary Shares under the Share Appropriation Scheme;

(v) in any 10 year period following Admission the number of unissued Ordinary Shares so subscribed by the Trustee and subscribed pursuant to any employee sh[illegible] schemes of the Company (other than any share option scheme) and placed under option under the SAYE Scheme, the Executive Scheme and other share option schemes of the Company shall not exceed in aggregate 10 per cent of the Company's issued share capital for the time being;

(vi) in any ten year period following Admission the number of unissued Ordinary Shares placed under option under the Executive Scheme and any other discretionary share option schemes of the Company shall not exceed in aggregate five per cent of the Company's issued ordinary share capital for the time being; and

(vii) no application for options shall be invited or options granted under the SAYE Scheme which would result in the number of unissued shares over which options are granted under the SAYE Scheme (and which have not lapsed or been surrendered) exceeding five per cent of the Company's issued share capital for the time being.

For the purposes of the limits described in sub-paragraphs (i), (ii), (iii), (v), (vi) and (vii) above options which lapse in accordance with the rules of the relevant scheme cease to count and Ordinary Shares issued and allotted in the Matching Offer shall not be counted.

8. PENSION SCHEMES

The Group operates its own pension scheme and contributes to a further scheme for the benefit of certain employees. Both schemes are based in the UK.

The Vymura Pension Plan (the "Plan") is a defined benefit pension scheme constituted under an Interim Trust Deed dated 29 September 1992. The Plan also provides death benefits.

Subject to satisfaction of certain service or age conditions, all permanent employees of the Company who are contracted to work 16 or more hours weekly are eligible to become members of the Plan. As at 5 May 1994, there was a total of 417 members in service, 15 pensioners and 9 deferred pensioners under the Plan.

The Plan is contracted-out of the earnings-related part of the State pension scheme. It provides for a pension at normal retirement age of 1/60th of eligible earnings for each year of pensionable service, subject to a maximum of 2/3rds of salary calculated in line with Inland Revenue restrictions. Normal retirement age is 65 for both men and women, although there are transitional provisions providing for earlier retirement for certain transferees from schemes operated by the Company's predecessors in its business. There is provision for members to retire early after attaining age 50, but their pension will be subject to reduction by a percentage calculated on a sliding scale by reference to actual age at retirement. On early retirement due to ill-health an enhanced pension based on prospective pensionable service is payable. On retirement, a part of a member's pension may be given up in return for a cash lump sum, subject to Inland Revenue limits. On the death of a member the Plan provides benefits to his dependants. Pensions in payment from the Plan (in excess of the guaranteed minimum pension) are guaranteed to increase by five per cent per annum or in line with the increase in the Retail Price Index whichever is less.

Individual members contribute 4.5 per cent of salary in excess of the State Lower Earnings Limit ("Plan Pay") and the employer meets the balance of the cost of providing the Plan benefits. Members may pay voluntary contributions to provide additional benefits, subject to Inland Revenue limits.

There are currently five Trustees of the Plan, two of whom are staff representatives and three of whom are employer representatives. The assets of the Plan are held separately from those of the Company. The principal investments of the Plan are in UK and overseas equities.

The initial actuarial valuation of the Plan, completed by Bacon & Woodrow, shows an excess of scheme assets over liabilities at 30 September 1992 of £0.9 million. This valuation recommends that employer's contributions are payable at the rate of 9.56 per cent of Plan Pay with effect from 1 January 1994 and 9.87 per cent from 1 January 1995. The contribution rates are calculated on a basis intended gradually to eliminate the surplus over a period of 11 years with the standard Company contribution rate being 12.3 per cent. An actuarial review of the Plan at 31 December 1993 confirmed that the scheme remained fully funded.

In addition to the Plan the Company contributes on average 11.5 per cent of salary in respect of certain senior executives to an insured defined contribution policy effected with Standard Life Trustee Company Limited.

9. ARRANGEMENTS RELATING TO THE PLACING

(a) Under an agreement (the "Placing Agreement") dated 5 May 1994 and made between the Company (1), certain shareholders in the Company (the "Vendors") (2), the Directors (3) and BZW (4), BZW has agreed (conditionally, *inter alia*, upon Admission taking place not later than 12 May 1994 or such later date as the Company and BZW may agree, but in any event not later than 31 May 1994):

(i) as principal to purchase 8,813,135 Ordinary Shares (the "Sale Shares");

(ii) as principal to subscribe for 7,233,333 new Ordinary Shares (the "Subscription Shares" and, together with the Sale Shares, the "Placing Shares");

(iii) to arrange for placees to purchase the Placing Shares, subject to a right of recall by BZW to satisfy applications by Eligible Employees; and

(iv) to invite Eligible Employees and the trustee of the share appropriation scheme to apply for up to 802,323 Placing Shares;

in each case at the Placing Price.

(b) Under the Placing Agreement:

(i) the Company has agreed to pay to BZW an advisory fee of £200,000 and a commission of three-quarters of one per cent on the value at the Placing Price of the Subscription Shares; and

(ii) the Vendors have agreed to pay to BZW a commission of three-quarters of one per cent on the value at the Placing Price of the Sale Shares;

together in each case with any applicable value added tax.

Out of the commissions referred to above, BZW will pay a commission to UBS Limited of one-quarter of one per cent on the value at the Placing Price of the Placing Shares for their services in arranging the Placing.

(c) The Placing Agreement contains warranties by the Company and the Executive Directors, *inter alia*, as to accuracy of the information contained in this document and in relation to other matters relating to the Group and its business; an indemnity from the Company and the Executive Directors in favour of BZW; and an indemnity from the Executive Directors to the Company and BZW in respect of certain liabilities to taxation. The Placing Agreement may be terminated by BZW prior to Admission in certain circumstances, including where there has been a material breach of the Placing Agreement or any of the representations and warranties contained therein.

(d) The Executive Directors and Barclays International Development Limited ("BID") and Barclays Private Bank & Trust Limited ("BPB") have undertaken not to dispose of any shares (other than any Sale Shares) owned by them at the date of this document:

(i) in the case of the Executive Directors, prior to the date of publication of the Company's report and accounts for the year ending 31 December 1995; and thereafter, for a period of twelve months, any disposals shall be subject to the prior written consent of BZW and shall be effected through UBS Limited; and

(ii) in the case of BID and BPB, prior to the date two days after the publication of the interim results of the Company for the 6 months ending 30 June 1994.

10. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

(a) the Placing Agreement referred to in paragraph 9 above;

(b) Term loan agreement between the Company and Midland Bank plc dated 26 June 1992 in respect of facilities up to £7,500,000. The loan is repayable by twelve instalments the final instalment being payable on 15th July 1999;

(c) Sale and Purchase agreement between the Company and Weston-Hyde Limited dated 12 June 1992 under which the Company purchased the business of manufacturing and selling wallcoverings, pattern books and related textile products operating under the name of Vymura for a consideration of £14,007,000;

(d) Shareholders and Subscription Agreement between (1) the Company (2) the Executive Directors (3) BID and BPB dated 26 June 1992 under which the Executive Directors, BID and BPB agreed to subscribe for shares in the Company and under which the Executive Directors and the Company gave certain covenants and undertakings to BID and BPB (the "Subscription Agreement");

(e) Supplemental Deed between (1) the Company (2) the executive Directors (3) BID and BPB (4) BID and (5) 3i Group Plc and Prudential Nominees Limited dated 28 August 1992 under which the provisons of the Subscription Agreement (save for certain clauses) are deemed to apply to the parties of the fifth part (the "Supplemental Deed");

(f) Termination Deed between (1) the Company (2) the Executive Directors (3) BID and BPB (4) BID and (5) 3i Group Plc and Prudential Nominees Limited dated 5 May 1994 under which the parties agreed to terminate the arrangements under, *inter alia*, the Subscription Agreement and the Supplemental Deed with effect from Admission.

11. PREMISES

The principal premises owned or occupied by the Company are the freehold premises at Newton Works, Talbot Road, Hyde registered in the name of the Company with freehold title absolute under number GM356112.

12. TAXATION

The statements below are intended only as a general guide to the current law and practice in the UK. Any person who is in any doubt as to his tax position or who is subject to tax in any jurisdiction other than the UK should consult his professional adviser.

(a) The Directors have been advised that the Company is at present a close company as defined by section 414 of ICTA and that immediately following the Placing it is unlikely to be a close company.

(b) The Company expects to receive clearance under section 707 of ICTA in respect of, *inter alia*, the Placing.

(c) There is no UK withholding tax on dividends, but whenever the Company pays a dividend it will be liable to account to the Inland Revenue for advance corporation tax ("ACT") in respect of the dividend, except to the extent that the dividend is paid out of franked investment income. The rate of ACT is equal to one-quarter of the net dividend for dividends paid on or after 6 April 1994. ACT paid by the Company can be set off against its liability to corporation tax, subject to certain limits and restrictions.

A holder of an Ordinary Share who is an individual resident (for tax purposes) in the UK and who receives a dividend paid by the Company will be entitled to a tax credit of an amount equal to one quarter of the net dividend. The individual will be taxable on the total of the dividend and the related tax credit which will be regarded as the top slice of the income of the individual. The tax credit will, however, be treated as discharging the liability of the individual to income tax in respect of the dividend, unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent) over the lower rate (currently 20 per cent). If the tax credit exceeds the liability of the individual to income tax on the total of the dividend and the tax credit he will be able to claim payment of the excess but any refund will only be repaid at a rate of 20 per cent.

A holder of an Ordinary Share that is a company resident (for tax purposes) in the UK and that receives a dividend paid by the Company will generally not be taxable on the net dividend. The dividend and related tax credit will normally be treated as franked investment income in its hands and, accordingly, the shareholder can offset the tax credit against its own liability to account for ACT on its own distributions. The value of the tax credit will be an amount equal to one-quarter of the dividend.

Subject to certain exceptions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of an Ordinary Share who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double tax convention between the UK and the jurisdiction in which the holder is resident.

Holders who are not resident in the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

(d) In relation to stamp duty and stamp duty reserve tax ("SDRT"):

(i) the Vendors have agreed to pay any United Kingdom stamp duty or SDRT at a rate not exceeding 50p per £100 (or part thereof) of the consideration paid in respect of the sale of, or agreement to sell, the Sale Shares under the Placing. However this will not apply where Sale Shares are issued or transferred to those persons set out in (iv) below;

(ii) the Company has agreed to pay any United Kingdom stamp duty or SDRT at a rate not exceeding 50p per £100 (or part thereof) of the consideration paid in respect of the subscription for the Subscription Shares. However this will not apply where Subscription Shares are issued or transferred to those persons set out in (iv) below;

(iii) a conveyance or transfer on sale of Ordinary Shares will generally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) SDRT, in each case at the rate of 50p per £100 (or part thereof) of the actual consideration paid; and

(iv) where Ordinary Shares are issued or transferred to a nominee or agent of an issuer of depositary receipts or a provider of clearance services, or are transferred to one of certain specified issuers of depositary receipts or providers of clearance services or their nominees or agents, stamp duty or SDRT will be payable at the higher rate of £1.50 per £100 (or part thereof) of the price payable, which stamp duty or SDRT must be accounted for by such issuer of depositary receipts or the provider of clearance services or the nominee or agent of either of such persons.

13. LITIGATION

No member of the Group is or has been engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the financial position of the Group and no such proceedings are pending or threatened against any members of the Group.

14. WORKING CAPITAL

In the opinion of the Directors, after taking into account the existing bank facilities available to the Group and the net proceeds of the Placing, the Group has sufficient working capital available for its present requirements.

15. GENERAL

(a) BZW is registered in England with number 181866. The registered office of BZW is at Ebbgate House, 2 Swan Lane, London EC4R 3TS. BZW is a member of The Securities and Futures Authority Limited.

(b) The financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the Company for the periods ended 25 June 1992 and 31 December 1993 audited by Arthur Andersen, have been delivered to the Registrar of Companies. There has been an unqualified audit report in respect of each of such accounts and no such report contained a statement under section 237(2) or (3) of the Act.

(c) BZW has given, and has not withdrawn, its written consent to the issue of this document with references to itself in the form and context in which they are included.

(d) Arthur Andersen have given, and have not withdrawn, their written consent to the issue of this document with the inclusion of their Accountants' Report and references thereto and to themselves in the form and context in which they are included.

(e) Bacon & Woodrow have given, and have not withdrawn, their written consent to the issue of this document with the inclusion of details of the pension fund, referred to in paragraph 8 above, and references thereto and to themselves in the form and context in which they are included.

(f) King Sturge & Co. have given, and have not withdrawn, their written consent to the issue of this document with the inclusion of details of the historic property valuation, referred to in note 9 of Part II of this document, and references thereto and to themselves in the form and context in which they are included.

(g) UBS Limited has given, and has not withdrawn, its written consent to the issue of this document with references to itself in the form and context in which they are included.

(h) Save as disclosed in Part I and Part II of this document, there has been no significant change in the financial or trading position of the Company since 31 December 1993, the date to which the last audited accounts of the Company were made up.

(i) The Ordinary Shares are in registered form.

(j) Renounceable letters of allocation will be despatched on 11 May 1994 and it is expected that definitive share certificates will be despatched by 17 June 1994.

(k) The total expenses of the Placing, which are payable by the Company, are estimated to amount to approximately £0.85 million excluding VAT. The expenses will be charged to the share premium account. The commissions payable to BZW and UBS Limited are referred to in paragraph 9 above.

(l) The Placing Price represents a premium of 145p over the nominal value of each Ordinary Share.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of Vymura, PO Box 15, Talbot Road, Hyde, Cheshire SK14 4EJ and at Eversheds, 1 Gunpowder Square, Printer Street, London EC4A 3DE during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days after the date of this document:

(a) the audited accounts of the Company for the periods to 25 June 1992 and 31 December 1993;

(b) the Accountants' Report set out in Part II of this document and the related statement of adjustments;

(c) the Memorandum and Articles of Association of the Company;

(d) the service agreements and letters of appointment referred to in paragraph 6 above;

(e) the rules of the share schemes and trust deed referred to in paragraph 7 above;

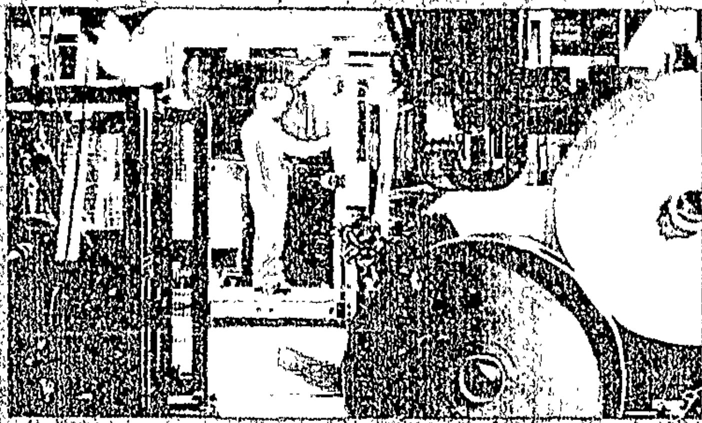
(f) the material contracts referred to in paragraph 10 above;

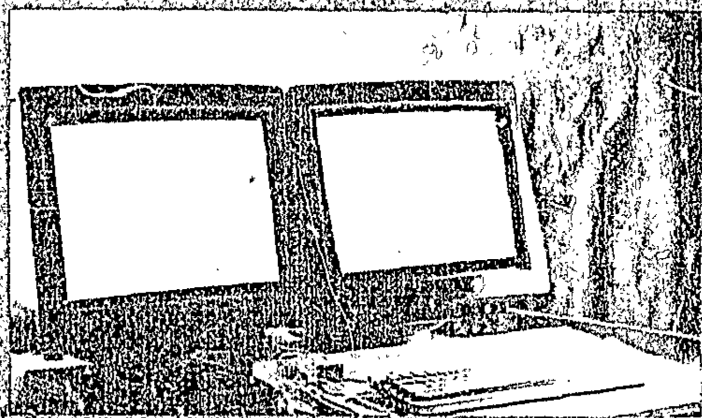
(g) the written consents of BZW, Arthur Andersen, Bacon & Woodrow, King Sturge & Co and UBS Limited referred to in paragraph 15 above; and

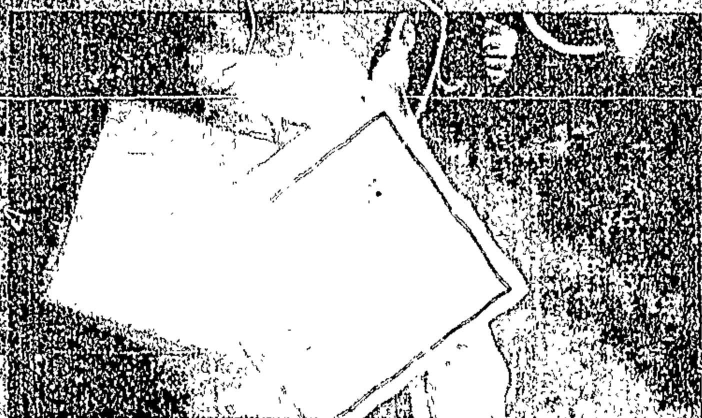
(h) the actuarial valuation of the pension fund as at 30 September 1992 and the review as at 31 December 1993 referred to in paragraph 8 above.

5 May 1994

BPC Oyez Press Ltd C80028







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Vymura plc

PRIORITY APPLICATION FORM

COMPANIES
-5 MAY 1994
L.C.
HOUSE

GUIDE TO COMPLETION

Before making an application to acquire Ordinary Shares in Vymura plc ("Vymura"), you are recommended to consult an independent financial adviser authorised under the Financial Services Act 1986.

The following instructions should be read in conjunction with the Priority Application Form and the Terms and Conditions of Application annexed to the Priority Application Form. Expressions defined in the listing particulars dated 5 May 1994 (the "Listing Particulars") have the same meanings in the Priority Application Form and this guide to completion and expressions defined in this guide to completion have the same meanings in the Priority Application Form.

1. Insert your full name and address in BLOCK LETTERS in Box 1.
A priority application may only be made by a person aged 18 or over employed for at least 16 hours per week by Vymura on 5 May 1994 (an "eligible employee"). Employees may make only one application on a Priority Application Form. Applications on a Priority Application Form from persons who are not eligible employees will not be accepted.

2. Insert in Box 2 (in figures) the number of Ordinary Shares for which you are applying.
Your application must be for a minimum of 34 Ordinary Shares.

3. Insert in Box 3 (in figures) the exact amount of your payment.
The amount inserted in Box 3 should be the number of shares entered in Box 2 multiplied by the Placing Price of 150p.

4. Sign and date Box 4 of the Priority Application Form.
The Priority Application Form may be signed on your behalf by another person if duly authorised by power of attorney to do so, but any power of attorney pursuant to which this is done (or a duly certified copy thereof) must be enclosed for inspection.

5. You must affix to the completed Priority Application Form a single cheque or banker's draft for the full amount payable.
Your cheque or banker's draft must be payable to "Vymura plc" for the amount payable on application as inserted in Box 3 and should be crossed "Account Payee". Payments must be made by cheque or banker's draft; no other methods of payment will be accepted. No receipt will be issued for this payment which must be solely for this application.

Your cheque must be drawn in sterling and bear a UK or Channel Islands bank sort code number in the top right hand corner. Alternatively, you may use a banker's draft or cheque from your building society or a personal cheque drawn by someone else. In each case it must meet the above requirements and, in addition, you should write your full name and address on the back. Any money returned will be sent by cheque crossed "Account Payee" in favour of the person named in Box 1.

6. Under the Matching Offer, if you agree to transfer 66 Ordinary Shares, which are allocated to you in the Placing, to the trustee (the "Trustee") of the share appropriation scheme you will receive one free Ordinary Share for each Ordinary Share so transferred. The Ordinary Shares that you wish

to be transferred to the Trustee together with the free shares allocated to you will be held for your benefit on and subject to the terms and conditions of the share appropriation scheme as described in section 7 of Part IV of the Listing Particulars (the "Share Appropriation Scheme").

If you wish to participate in the Matching Offer you must apply to acquire at least 66 Ordinary Shares on the Priority Application Form.

You must sign Box 6 if you wish to participate in the Matching Offer. It may be signed on your behalf by another person if duly authorised by power of attorney to do so, but any power of attorney (or duly certified copy thereof) must be enclosed for inspection. If Box 6 is not signed you will not be entitled to participate in the Matching Offer.

By signing Box 6, you agree with the Company that, in consideration of the appropriation to you by the Trustee of free Ordinary Shares under the Share Appropriation Scheme pursuant to the Matching Offer, you will be bound by the rules contained in the trust deed governing the Share Appropriation Scheme and in particular, you agree that:

(a) until the second anniversary of the Appropriation Date (as defined below), or until you cease employment on account of injury, disability, redundancy or until reaching age 65, and except in the case of a reconstruction or takeover of the Company, you will allow all the Ordinary Shares appropriated to you under the Share Appropriation Scheme pursuant to the Matching Offer to remain in the hands of the Trustee without any assignment, charge or any other disposal of your beneficial interest in such Ordinary Shares; and

(b) until the fifth anniversary of the Appropriation Date, any transfer of the free Ordinary Shares appropriated to you under the Share Appropriation Scheme pursuant to the Matching Offer out of the Trust shall either be by a sale by the Trustee at the best price reasonably obtainable or be into your own name but only after you have paid a sum to the Trustee equal to income tax at the basic rate in respect of the value of such Ordinary Shares at the time of their appropriation to you pursuant to the Matching Offer.

The Appropriation Date is the date on which the Trustee appropriates the free Ordinary Shares to you under the Share Appropriation Scheme pursuant to the Matching Offer.

7. If you have any queries on the procedure for application and payment, you should contact Mike Howard at Hyde.

Delivery of Application

The completed Priority Application Form together with the cheque or banker's draft (and any necessary power of attorney) must be delivered by hand to Mike Howard at Hyde by not later than 4.00 pm on 9 May 1994. Vymura reserves the right to reject any priority application forms received after that date.

Photostat copies of Priority Application Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety.

Vymura plc

PRIORITY APPLICATION FORM

Placing by Barclays de Zoete Wedd Limited of 16,046,468 Ordinary Shares in Vymura at 150p per Ordinary Share, payable in full on application.

Before completing this Form you should read carefully the accompanying guide to completion and the Terms and Conditions of Application annexed to this Form.

PLEASE USE BLOCK CAPITALS

1

Forename(s) (in full) Mr Mrs Ms Miss or Title
Surname
Address (in full)
Postcode

2

I offer to acquire **Ordinary Shares**
(or any smaller number of Ordinary Shares for which this application is accepted) at the Placing Price of 150p per Ordinary Share payable in full on application on the terms and conditions set out in this Application Form and annexed to this Application Form and subject to the Memorandum and Articles of Association of Vymura and the Listing Particulars.

3

I attach a cheque or banker's draft for the amount of £

payable to "Vymura plc" being 150p per Ordinary Share mutliplied by the number of Ordinary Shares inserted in Box 2.

4

I warrant that I am an "eligible employee" (as defined in the accompanying guide to completion) of Vymura and am applying solely for my own benefit. **Dated** 1994 **Signature**

5

☐ Affix here your cheque or banker's draft for the amount in Box 3 made payable to "Vymura plc" and crossed "Account Payee". Attach one cheque/banker's draft only.

6

I wish to participate in the Matching Offer on and subject to the terms and conditions set out in the accompanying guide to completion and the Terms and Conditions of Application annexed to this Application Form and wish to have transferred to the Trustee, out of the total Ordinary Shares for which this application is accepted, 66 Ordinary Shares.
Signature

Notes:

1 Only complete and sign Box 6 if you wish to participate in the Matching Offer, under which, if you agree to transfer 66 Ordinary Shares which are allocated to you in the Placing to the Trustee of the Share Appropriation Scheme, you will receive one free Ordinary Share for each Ordinary Share so tranferred.

2 If you wish to participate in the Matching Offer you must have entered in Box 2 a number of at least 66 Ordinary Shares.

Delivery of Priority Applicaton Form

The completed Priority Application Form together with the cheque or banker's draft and any necessary power of attorney must be delivered by hand to Mike Howard at Hyde by not later than 4.00 pm on 9 May 1994.

1. TERMS AND CONDITIONS OF APPLICATION

In these Terms and Conditions of Application, "Application Form" means an application form as annexed to this document. Expressions defined in the Listing Particulars dated 5 May 1994 have the same meanings in these Terms and Conditions of Application.

(a) The contracts arising from acceptance of applications under the Placing will be conditional on Admission becoming effective not later than 12 May 1994 or such other date as BZW and the Company in their absolute discretion may determine (but in any event not later than 31 May 1994) and the Placing Agreement (referred to in section 9 of Part IV of the Listing Particulars) becoming wholly unconditional and not having been terminated by the time of Admission. Cheques or banker's drafts for amounts payable on application will be presented for payment before such conditions are satisfied and the application moneys will be kept in a separate bank account and, if such conditions are not satisfied, application moneys will be returned (without interest) by returning the applicant's cheque or banker's draft or sending to the applicant a cheque crossed "account payee" in favour of the named applicant, as set out in the Application Form, through the post at the risk of the applicant.

(b) Subject to the terms and conditions set out in this document, BZW reserves the right in consultation with the Company to reject in whole or in part or to scale down any applications and, in particular, multiple or suspected multiple applications and to present any cheques or banker's drafts for payment on receipt. If any application is not accepted, or is accepted for fewer Ordinary Shares than the number applied for, the application moneys or, as the case may be, the balance of the application moneys will be returned (without interest) by sending the applicant's cheque or banker's draft or a cheque crossed "account payee" in favour of the named applicant as set out in the Application Form through the post at the risk of the applicant. BZW further reserves the right to treat as valid and binding upon the applicant any application, even if the accompanying Application Form is not completed correctly in all respects or is not accompanied by a power of attorney where necessary or if the accompanying cheque or banker's draft is for the wrong amount or is completed incorrectly.

(c) Applications must be made on the accompanying Application Form which will constitute a collateral contract between you, the Company and BZW which will become binding upon receipt of your Application Form. By completing and delivering an Application Form you as the applicant (or as agent for the applicant if you sign the Application Form on behalf of another):

(i) offer to purchase the number of Ordinary Shares specified in your Application Form (or such smaller number for which the application is accepted) on the terms and subject to the conditions set out in the form (of which these Terms and Conditions of Application form part) and subject to the Listing Particulars and the Memorandum and Articles of Association of the Company;

(ii) subject to paragraph (b) of section 3 below, also authorise Lloyds Bank Plc, Lloyds Bank Registrars to send on behalf of BZW a Renounceable Letter of Allocation for the number of Ordinary Shares for which your application is accepted and/or your application cheque or banker's draft or a crossed cheque for any moneys returnable, by post, to your address and to procure that your name is placed on the register of members of the Company in respect of such Ordinary Shares;

(iii) in consideration of the Company and BZW agreeing that they will not prior to 31 May 1994 sell any of the Ordinary Shares which are being offered under the Placing to any person other than by means of the procedures referred to in the Listing Particulars:

(1) agree that your application may not be revoked until after 31 May 1994;

(2) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured you will not be entitled to receive a share certificate or Renounceable Letter of Allocation in respect of the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and BZW against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company

of such late payment in respect of such Ordinary Shares, BZW and/or the Company may (without prejudice to other rights) avoid the agreement to sell such Ordinary Shares and may resell such Ordinary Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Ordinary Shares (other than return, at your risk, of such late payment);

(3) agree with BZW and the Company promptly on request to disclose in writing to BZW and/or the Company any information which it may request in connection with your application; and

(4) agree that pending clearance of your remittance any Renounceable Letter of Allocation or share certificate to which you may become entitled and any moneys returnable to you may be retained (and any moneys so retained) will not bear interest;

(iv) agree that in respect of those Ordinary Shares for which your application has been received and is not rejected, allocation of such Ordinary Shares to you shall be constituted either by notification to the London Stock Exchange of the basis of allocation (in which case allocation shall be on that basis) or by the determination of the number of Ordinary Shares to be allocated pursuant to the arrangements made between BZW and/or the Company and Lloyds Bank Plc, Lloyds Bank Registrars;

(v) agree that all applications, acceptances of applications and contracts resulting from them under the Placing shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of BZW and/or the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications or contracts in any other manner permitted by law or in any court of competent jurisdiction;

(vi) warrant that, if you sign an Application Form on behalf of another, you have the authority to do so and such person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application;

(vii) confirm that in making this application neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to the Company or to any other member of the Group other than such as may be contained in the Listing Particulars and you accordingly agree that no person responsible solely or jointly for the Listing Particulars or any part of them, shall have any liability for any such information or representation;

(viii) warrant that you are not in the United States of America, its territories or possessions; any state of the United States or the District of Columbia ("United States") and agree that BZW and the Company may treat as invalid any Priority Application Form that appears to BZW or its agents to have been executed in or despatched from the United States or that provides an address in the United States for delivery of Renounceable Letters of Allocation or share certificates and warrant that you are not a Canadian person (as used herein "Canadian person" means any individual resident in Canada) and that you are not applying on behalf of, or with a view to reoffer, sale, transfer or delivery to, or for the account of any Canadian person or any person resident in the United States;

(ix) warrant that you will not offer or sell any Ordinary Shares, directly or indirectly, in Japan or New Zealand or Australia or to or for the benefit of any resident of Japan, New Zealand or Australia except pursuant to the applicable Japanese, New Zealand or Australian laws and regulations as the case may be;

(x) agree that, having had the opportunity to read the Listing Particulars, you shall be deemed to have notice of all information and representations concerning the Company and the Group contained or referred to therein;

(xi) warrant that you are not under 18 years of age on the date of your application;

(xii) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory, other than United Kingdom stamp duty or stamp duty reserve tax, and that you have not taken any action or omitted to take any action which will or may result in the Company, the existing shareholders or BZW acting in breach of the regulatory or legal requirements of any territory in connection with the Placing or your application;

(xiii) agree that BZW will not treat you as its customer by virtue of your making an application for Ordinary Shares or by virtue of your application being accepted and that BZW will not owe you any duties or responsibilities concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you; and

(xiv) authorise BZW or any person authorised by BZW, on your behalf, to make returns to the Inland revenue in relation to stamp duty reserve tax (if any) payable on the contract resulting from the acceptance of your application and in relation to stamp duty (if any) payable on any transfer of Ordinary Shares as a result of such contract.

(d) Subject to the arrangements described in section 3 below, the basis of allocation in respect of applications made on the Application Form will be determined by BZW after consultation with the Company.

(e) Sufficient Ordinary Shares have been reserved to ensure that all applications to participate in the Matching Offer can be met in full. To the extent that applications from eligible employees and the Trustee are received for in excess of 802,323 Ordinary Shares, the applications from eligible employees (disregarding Ordinary Shares to be tranferred to the Trustee under the Matching Offer) will be scaled down as BZW, in consultation with the Company, determines.

(f) All documents, cheques and banker's drafts sent by post by or on behalf of BZW or the Company will be at the risk of the person entitled thereto.

2. STAMP DUTY AND STAMP DUTY RESERVE TAX

In relation to stamp duty and stamp duty reserve tax ("SDRT"):

(i) the Vendors have agreed to pay any United Kingdom stamp duty or SDRT at a rate not exceeding 50p per £100 (or part thereof) of the consideration paid in respect of the sale of, or agreement to sell, the Sale Shares under the Placing. However this will not apply where Sales Shares are issued or transferred to those persons set out in (iv) below;

(ii) the Company has agreed to pay any United Kingdom stamp duty or SDRT at a rate not exceeding 50p per £100 (or part thereof) of the consideration paid in respect of the subscription for the Subscription Shares under the Placing. However this will not apply where Subscription Shares are issued or transferred to those persons set out in (iv) below;

(iii) a conveyance or transfer on sale of Ordinary Shares will generally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) SDRT, in each case at the rate of 50p per £100 (or part thereof) of the actual consideration paid; and

(iv) where Ordinary Shares are issued or transferred to a nominee or agent of an issuer of depositary receipts or a provider of clearance services, or are transferred to one of certain specified issuers of depositary receipts or providers of clearance services or their nominees or agents, stamp duty or SDRT will be payable at the higher rate of £1.50 per £100 (or part thereof) of the price payable, which stamp duty or SDRT must be acounted for by such issuer or depositary receipts or the provider of clearance services or the nominee or agent of either of such persons.

The above statements are intended as a general guide to the current position.

Any person who is in any doubt as to his or her position should consult an appropriate professional adviser.

3. The Matching Offer

(a) Under the Matching Offer, each Eligible Employee may agree with the Trustee to the transfer to the Trustee of 66 Ordinary Shares acquired by him in the Placing. For each Ordinary Share so transferred, which will be held by the Trustee for the benefit of the Eligible Employee on the terms of the Share Appropriation Scheme, the Trustee will purchase and allocate free of charge one Ordinary Share to be held for the benefit of that employee under the Share Appropriation Scheme. All Ordinary Shares transferred to the Trustee and appropriated by the Trustee under the Matching Offer will be subject to the restrictions described in section 7 of Part IV of the Listing Particulars under the heading the "Share Appropriation Scheme".

(b) An Eligible Employee who applies to participate in the Matching Offer, by signing Box 6 on the Application Form, agrees that the following special terms and conditions shall apply:

(i) the Application Form is also addressed to the Trustee;

(ii) the Eligible Employee agrees that the number of Ordinary Shares specified in Box 6 are to be transferred to the Trustee to be held by the Trustee, for the benefit of the Eligible Employee, on and subject to the terms and conditions of the Share Appropriation Scheme'

(iii) the Eligible Employee applies for one free Ordinary Share to be appropriated to him by the Trustee pursuant to the Matching Offer on and subject to the terms and conditions of the Share Appropriation Scheme for each Ordinary Share transferred to the Trustee to be held for the benefit of the Eligible Employee on the terms and conditions of the Share Apropriation Scheme;

(iv) the Eligible Employee binds himself in contract with the Company in the terms set out in paragraph 6 of the guide to completion accompanying the Application Form; and

(v) the Eligible Employee authorises Lloyds Bank Plc, Lloyds Bank Registrars, if his priority application is accepted, to send on behalf of BZW a Renounceable Letter of Allocation in the name of the Trustee for the number of Ordinary Shares specified in Box 6 to the Trustee, by post, and to procure that the name of the Trustee is placed in the register of members in respect of such Ordinary Shares and to send to the Eligible Employee a separate Renounceable Letter of Allocation in respect of any balance of the Ordinary Shares in respect of which his application is accepted.

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