
VOITH FABRICS BLACKBURN LIMITED
(Formerly Precis 1725 Limited)
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the period ended
30 September 1999

Company Number 3724228



DIRECTORS' REPORT
for the period ended 30 September 1999

DIRECTORS

H Berry
B G Littler
I C Walsh
J E Doherty
A R England
R A Rothery

SECRETARY

H Berry

REGISTERED OFFICE

Cartmell Road
Blackburn
Lancs
BB2 2SZ

AUDITORS

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

BANKERS

Midland Bank plc
60 Church Street
Blackburn
Lancs

**DIRECTORS' REPORT(cont'd)
for the period ended 30 September 1999**

FINANCIAL STATEMENTS

The directors present their report and audited financial statements for the period ended 30 September 1999.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company Precis 1725 was incorporated on 2 March 1999 with the subsequent acquisition of the assets and liabilities of Scapa Blackburn Limited being undertaken on 24 April 1999 for a consideration of £21,745,000.

The company's principal activities are the manufacture and sale of paper machine clothing and the company is one of the world's leading suppliers in this market. It is the company's policy to maintain and improve the position it holds in its major business area by development of existing products and methods of manufacture. The company is constantly reviewing new ideas and techniques available, particularly for improvements in manufacture and application of the products it makes. Emphasis on quality is paramount and both divisions of the company have achieved registration under BS 5750/IS 9001.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £620,355.

The surplus for the period of £620,355 was transferred to reserves.

**DIRECTORS' REPORT(cont'd)
for the period ended 30 September 1999**

The directors do not recommend the payment of a dividend for the period.

FIXED ASSETS

The directors are of the opinion that the current value of land and buildings, exceeds the original cost, but no estimate of this excess has been made. The properties are utilised for the normal trading activities of the company.

RESEARCH AND DEVELOPMENT

Investment in research and development is a prime consideration of the company and is focused on areas of potential growth where commercial relevance and future profitability are considered vital. The company's continuing success depends ultimately on its ability to develop and improve both the manufacture and performance of existing products and to invent new ones for both existing and new business. The company spent £420,380 on research during the period.

FUTURE DEVELOPMENTS

The directors intend to continue the management policies of innovation and development.

DIRECTORS

The directors during the period were as follows:

D M Dunn (appointed 30 April 1999, resigned 6 May 1999)
D E P Walter (appointed 30 April 1999, resigned 6 May 1999)
A C Wallwork (appointed 30 April 1999, resigned 6 May 1999)
H Berry (appointed 6 May 1999)
B G Littler (appointed 6 May 1999)
I C Walsh (appointed 6 May 1999)
J E Doherty (appointed 6 May 1999)
A R England (appointed 6 May 1999)
R A Rothery (appointed 6 May 1999)
D J Penfold (appointed 2 March 1999, resigned 30 April 1999)
C A Wilson (appointed 2 March 1999, resigned 30 April 1999)

DIRECTORS INTEREST IN SHARES

The directors who held office at 30 September 1999 had no interest in the shares of the ultimate holding company JM Voith AG.

INCORPORATION AND CHANGE OF NAME

The company was incorporated on 2 March 1999 as Precis 1725 Limited, and on 30 April 1999 changed its name by special resolution to Scapa Scandia Limited. On 23 September 1999 Scapa Scandia Limited changed its name to Voith Fabrics Blackburn Limited.

**DIRECTORS' REPORT(cont'd)
for the period ended 30 September 1999**

It is company policy to ensure that employees are aware of their individual roles and responsibilities and are informed about the trading performance and progress of the company.

The company recognises the essential contribution made by its employees, and, by encouraging progressive involvement and full use of individual skills, promotes the fulfilment of their potential in improving their own and corporate performance.

Complementing these arrangements designed for specific purposes are the established institutions such as team briefings and permanent consultative committees. Prominent among the latter are the health and safety committees, monitoring work-place procedures and practices, providing safety awareness, and contributing to effective responses to the growing body of health and safety legislation.

It is company policy that the disabled continue to receive consideration for employment equal to that given to the able-bodied, taking account of their particular abilities and job requirements. All possible efforts are made to maintain continuity of employment for existing employees who become disabled.

YEAR 2000

A year 2000 programme was established to identify the effect that the Year 2000 would have on the group's computer systems and services and take appropriate remedial action. The cost of the Year 2000 programme has not been significant. During the Year 2000 no significant errors relating to the group's computer systems and services have been noted.

PAYMENT OF CREDITORS

The terms of payment are set when the terms of a transaction are agreed. All suppliers fulfilling those conditions of order will be paid in accordance with the terms of payment agreed. Other suppliers will be paid in accordance with contractual terms as agreed from time to time.

The ratio of trade creditors at 30 September 1999 to the amounts invoiced by suppliers during the year then ended is 1:4.0, which equates to 91 days in the year of 365 days.

CHARITABLE CONTRIBUTIONS

During the period the company made charitable donations in the UK of £19,439

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, as auditors will be submitted to the Annual General Meeting.

This report was approved by the Board on 28 July 2000.


H Berry Secretary

AUDITOR'S REPORT**To the members of Voith Fabrics Blackburn Limited**

We have audited the financial statements on pages 7 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and Financial Statements. As described on page 3 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Directors' Report and Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Pricewaterhouse Coopers
Chartered Accountants &
Registered Auditors
Manchester
28 July 2000

PROFIT AND LOSS ACCOUNT

For the period ended 30 September 1999

ACQUIRED OPERATIONS**Period ended
30 September 1999**

Notes

£

Turnover	2	9,666,142
Operating Profit	3	884,555
Interest receivable and similar income	4	65,800
Profit on ordinary activities before taxation	-	950,355
Tax on profit on ordinary activities	5	(330,000)
Retained Profit for the period	18	£620,355

The company has no recognised gains or losses for the period other than as reflected in the profit and loss account above.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period as stated above, and their historical cost equivalent.

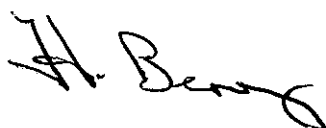
The notes on pages 7 to 22 form part of these financial statements.

BALANCE SHEET**As at 30 September 1999**

	Notes	1999 £
FIXED ASSETS		
Intangible assets	6	210,181
Tangible assets	7	10,346,107
Investments	8	22,152
		<u>10,578,440</u>
CURRENT ASSETS		
Stocks	9	5,798,850
Debtors	10	7,646,705
Cash at bank and in hand		4,421,517
		<u>17,867,072</u>
CREDITORS: amounts falling due within one year	11	(5,333,254)
Net current assets		<u>12,533,818</u>
Total assets less current liabilities		<u>23,112,258</u>
CREDITORS: amounts falling due after more than one year	12	(2,345,000)
PROVISION FOR LIABILITIES AND CHARGES	13	(668,820)
DEFERRED INCOME		
Government grants	15	(78,081)
Net assets		<u>£20,020,357</u>
CAPITAL AND RESERVES		
Called up equity share capital	17	19,400,002
Profit and loss account	18	620,355
Shareholders' funds	19	<u>£20,020,357</u>

The financial statements on pages 8 to 22 were approved by the Board on 28 July 2000

H Berry Director



**NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 September 1999**

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Research and development

Expenditure incurred on the development of new products and the cost of normal research work is charged against the profits of the year in which such expenditure or cost is incurred. Plant and equipment acquired for this purpose is included with fixed assets and written off over its expected useful life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	-	over 40 years
Plant and fixtures	-	over 7.5 years or 15 years
Vehicles	-	over 5 years

Goodwill

Goodwill relating to business assets purchased by the company, being the excess of consideration paid over the fair value of the assets acquired, is amortised over a period of twenty years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive economic benefit from the goodwill acquired as part of that business.

Leased assets

Items of plant, fixtures and vehicles subject to finance leases are shown as fixed assets and depreciated as indicated above. The corresponding liability for the capital element is recorded as a loan, and the interest element, which is calculated on the basis of the amount of the loan outstanding, is charged against profits over the primary lease period. The rental costs of all other leased assets are charged against profits as incurred.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

1. ACCOUNTING POLICIES (continued)**Stocks**

Stocks have been valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost includes the cost of materials together with labour and appropriate overheads.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Losses incurred on forward exchange contracts outstanding at the balance sheet date are recognised as liabilities. All differences are taken to the profit and loss account.

Government grants

The amounts of capital-based grants received are treated as a deferred credit for transfer to the profit and loss account in instalments over the same period as depreciation is charged on the relevant assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Pension costs

The employees of the company are eligible to be members of retirement benefit schemes operated by Scapa Group plc in the United Kingdom. The funds of the schemes are administered by trustees and are completely separate from the funds of the company and of the group. Information relating to the schemes is contained in the financial statements of Scapa Group Plc.

Contributions in respect of a defined benefit scheme are paid in accordance with the recommendation of independent actuaries and are calculated across the member companies as a whole. They are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. A full provision approach is adopted in respect of the deferred tax implications of pensions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

1. ACCOUNTING POLICIES (continued)

Certain employees of the company are members of a defined contribution pension scheme. Pension costs incurred are charged to the profit and loss account in the period when payable.

Group accounts

The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a wholly-owned subsidiary undertaking of Forming Fabrics UK Ltd, a company incorporated in England, and is included in the consolidated financial statements of that company. The ultimate parent undertaking presents a cash flow statement in its consolidated financial statements and accordingly, as permitted by FRS1 (Revised), no cash flow statement is presented in these financial statements.

2. TURNOVER

	Period ended	
	30 September 1999	
	£	£
External		
Home	3,865,719	
Export	4,089,700	
	<hr/>	
		7,955,419
Inter-group		
Home	4,483	
Export	1,706,240	
	<hr/>	
		1,710,723
		<hr/>
		£9,666,142
		<hr/>

The amounts shown as turnover represent the amounts receivable for goods and services provided in the UK and overseas, net of trade discounts, value added tax and other related taxes.

An analysis of turnover between geographical markets is not provided as, in the opinion of the directors, such disclosure would seriously prejudice the company's interests.

No analysis is provided of turnover and profit between different classes of business as, in the opinion of the directors, the classes do not differ substantially from each other.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

3. OPERATING PROFIT

The operating profit comprises:

	Period ended 30 September 1999
	£
Turnover (note 2)	9,666,142
Change in stocks of finished goods and work in progress	(890,907)
Own work capitalised	6,693
Other operating income	73,182
	<hr/> 8,855,110 <hr/>
Raw materials and consumables	1,987,934
Other external charges	795,320
	<hr/> 2,783,254 <hr/>
Depreciation: owned fixed assets	485,805
Depreciation: assets under finance leases	148,870
Amortisation: goodwill	4,472
Operating lease rentals	
- plant and machinery	70,378
Investment grants	(3,065)
Director and employee costs (note 23)	3,013,104
Auditors' remuneration : Audit fee	1,371
Other Services	-
Loss on disposal of fixed assets	1,099
Other operating charges	1,465,267
	<hr/> 5,187,301 <hr/>
Operating profit	£884,555

During the period the company incurred costs of £420,380 in respect of research and development.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £
Interest receivable - external	51,798
On bank loans and overdrafts	1,906
On finance leases	12,096
	<hr/>
Interest receivable and similar income	£65,800
	<hr/> <hr/>

5. TAXATION

	1999 £
UK current year taxation	
UK Corporation Tax at 30%	330,000

Had full provision for deferred taxation been made then the charge for the year would have been by £1,860,060.

6. INTANGIBLE FIXED ASSETS

Goodwill	
	£
Cost	
Goodwill arising on acquisition of business	214,653
30 September 1999	214,653
Amortisation	
Charge for the Period	4,472
30 September 1999	4,472
	<hr/>
Net Book Value 30 September 1999	210,181
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

Acquisition in the period

A trade and certain assets were acquired on 24 April 1999 from Scapa Blackburn Limited by Precis 1725 Limited for a consideration of £21,745,000, which was satisfied by an issue of equity shares and a loan.

Analysis of the book values and fair values of the net assets acquired;

	Book and fair values £
Land and Buildings	1,298,059
Plant fixtures and Vehicles	10,280,464
Investments	15,508
Stock	6,866,111
Debtors/Accounts Receivable	10,043,676
Cash at bank and in hand	3,735,175
Creditors/Accounts Payable	(9,988,500)
Deferred Taxation	(639,000)
Investment Grants	<u>(81,146)</u>
Net asset acquired	21,530,347
Consideration	<u>21,745,000</u>
Goodwill	<u>214,653</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

7. TANGIBLE FIXED ASSETS

(a) Summary

	Freehold land and buildings £	Plant fixtures and vehicles £	Total £
Cost			
At acquisition	2,648,603	30,340,611	32,989,214
Additions	-	50,604	50,604
Transfers from group companies	-	-	-
Disposals	-	(810,044)	(810,044)
30 Sept 1999	2,648,603	29,581,171	32,229,774
Depreciation			
At acquisition	1,350,544	20,060,147	21,410,691
Charge for the period	24,133	610,542	634,675
Transfers from group companies	-	-	-
Disposals	-	(161,699)	(161,699)
30 Sept 1999	1,374,677	20,508,990	21,883,667
Net book value			
Owned assets	1,273,926	7,655,536	8,929,462
Leased assets	-	1,416,645	1,416,645
30 Sept 1999	1,273,926	9,072,181	10,346,107

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

7. TANGIBLE FIXED ASSETS (Continued)

(b) Capital commitments

The directors had authorised capital expenditure as follows:

	1999 £
Against which orders had been placed	£65,699

8. FIXED ASSET INVESTMENT

Investment in subsidiary undertaking

Cost

At acquisition and 30 September 1999	£22,152
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The company holds the whole of the issued share capital of Scapa-Porritt Limited GmbH incorporated in Germany.

The principal activities of the subsidiary undertaking are the provision of sales support services.

In the opinion of the directors the aggregate value of the company's investment in the subsidiary undertaking, is not less than the amount included in the balance sheet.

9. STOCKS

	1999 £
Raw materials and consumables	492,153
Work in progress	590,542
Finished goods	4,273,033
Maintenance and other stocks	443,122
	5,798,850

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

10. DEBTORS

1999
£

Trade debtors	5,404,755
Amounts owed by fellow subsidiary undertakings	996,680
Other debtors	1,040,823
Prepayments and accrued income	204,447
	<hr/>
	7,646,705
	<hr/>

Amounts falling due after more than one year and included in the debtors above are:

1999
£

Other debtors	£51,732
	<hr/>

11. CREDITORS: amounts falling due within one year

1999
£

Bank overdrafts	438,275
Trade creditors	1,718,337
Amounts owed to parent undertaking and fellow subsidiary undertakings	1,292,492
Obligations under finance leases	528,945
Corporation tax	319,939
Other creditors including taxation and social security	292,598
Accruals and deferred income	686,956
Other creditors	55,712
	<hr/>
	£5,333,254
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

12. CREDITORS: amounts falling due after more than one year.

	1999 £
Amount owed to parent undertaking	2,345,000
	<hr/> 2,345,000 <hr/>

The amount due to the parent undertaking is interest free and has no stated terms of repayment.

13. PROVISIONS	Reorganisation Costs £	Deferred Tax (note 16) £	Total £
At acquisition	29,820	639,000	668,820
Charge to profit and loss account	-	-	-
	<hr/>	<hr/>	<hr/>
30 September 1999	29,820	639,000	668,820
	<hr/>	<hr/>	<hr/>

14. OBLIGATIONS UNDER FINANCE LEASES

The net obligation under finance leases is repayable as follows:

	1999 £
In one year or less	528,945
Between one and five years	-
	<hr/> 528,945 <hr/>

15. DEFERRED INCOME - Government grants

	£
At acquisition	81,146
Released to the profit and loss account	(3,065)
	<hr/>
30 September 1999	£78,081
	<hr/>

16. DEFERRED TAX

The full potential deferred tax liability for which provision has not been made is as follows:

	1999 £
Full potential deferred taxation	
Accelerated capital allowances	1,692,156
Other timing differences	167,904
	<u>£1,860,060</u>

17. EQUITY SHARE CAPITAL

	Authorised 1999 Number	Allotted Called up and fully paid 1999 £
£1 ordinary shares	<u>30,000,000</u>	<u>19,400,002</u>

On incorporation two £1 equity shares were issued, on 30 April 1999 19,400,000 £1 equity shares were allotted for consideration of the assets and liabilities of Scapa Blackburn Ltd.

18. PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Surplus for the period	<u>620,355</u>
Period ended 30 September 1999	<u>£620,355</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1999 £
Profit for the period	620,355
Issue of shares	19,400,002
	<hr/>
Closing shareholders' funds	£20,020,357
	<hr/>

20. FINANCIAL COMMITMENTS

(a) Operating leases

At 30 September 1999 the company had annual commitments under non-cancellable operating leases, none of which related to land and buildings, as follows:

	1999 £
Expiry date:	
Within one year	201,575
Between one and five years	420,588
	<hr/>
	£622,163
	<hr/>

(b) Foreign currency

Forward foreign exchange commitments entered into by the company in the normal course of business at 30 September 1999 were £2,046,687.

21. DIRECTORS

(a) Emoluments

The emoluments of directors of the company for services as directors were:

	1999 £
Emoluments, including benefits-in-kind but exclusive of pension contributions	60,663
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

22. DIRECTORS (continued)

Two of the directors have retirement benefits accruing in a Scapa Group PLC defined benefits scheme.

(b) Highest paid director	1999
	£
Fees and other emoluments disclosed above, excluding pension contributions, include the following paid to the highest-paid director	
	31,294

23. EMPLOYEES

(a) Number of employees

The average number of persons, including directors, employed by the company during the period was:

	1999
	Number
Weekly	247
Monthly	97
	344

(b) Employment costs	£
Wages and salaries	2,585,934
Social security costs	296,198
Other pension costs	130,972
	£3,013,104

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption allowed by FRS 8 not to disclose transactions and balances with J M Voith AG and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the period ended 30 September 1999

25. ULTIMATE PARENT COMPANY

The directors regard Voith AG, as the company's ultimate parent company and ultimate controlling party.

Copies of the consolidated financial statements of J M Voith AG may be obtained from PO Box 1940, B-89509 Heidenheim, Germany.