# Victrex Limited

## Directors' report and consolidated financial statements

**30 September 1994**

Registered number 2793780

# Victrex Limited

## Directors' report and consolidated financial statements

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# Victrex Limited

## Chairman's statement

**The formation of Victrex Limited**

Victrex Limited and its subsidiaries were formed in 1993 by the present management team to purchase the polyetheretherketone (PEEK) high performance polymer business of Imperial Chemical Industries PLC by way of a management buyout. The purchase was completed on 30 September 1993.

PEEK was introduced by ICI in the early eighties and was well established in a range of worldwide markets by the end of the decade, but no longer fitted ICI's core materials strategy. The management team recognised the potential for a focused niche business which possessed proprietary, patented technology, quality assets and a well established customer base.

In completing the purchase, the company was supported by first class institutional investors, led by CVC Capital Partners Ltd and included Nat West Ventures, Chase Manhattan and CINVen. The company's debt was provided by National Westminster Bank, Barclays Bank and Bank of Scotland. These investors have given the company strong and consistent support.

**Victrex is an acknowledged world leader in the field of high performance materials. Our objective is to maintain that leadership and exploit it to the optimum benefit of investors, customers and staff.**

**The first year**

Immediately prior to the buyout, the factory had been inactive for a period of months due to high stocks in the business. It was restarted in October 1993 and has run extremely well at higher-than-forecast rates throughout the year.

The main focus in the business has been on the market. Sales are well established throughout Europe, the USA and Pacific-Asia in a wide range of applications including the automotive, aerospace, electronics, fluid engineering, medical, and analytical sectors. This diversity is a great strength of the business, since it opens up many opportunities and limits exposure. The company is actively involved in developing a spectrum of significant new applications as well as expanding the established ones.

In the early part of the year, the customer base was, to a degree, affected by the uncertainty that arose in the latter part of ICI's ownership of the business and the world recession. However, the customers reacted well to the commitment displayed by the buyout and recovery from recession quickly gathered pace, particularly in the USA. As a result sales showed good growth through the year and the gains flowed through to a satisfactory profit performance. Through this and stringent control of working capital, the business generated the cash to more than meet its financing commitments and has reduced its gearing substantially.

Demonstrating its continued commitment to quality and safety, the company was approved to ISO9002 and received a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA).

# Victrex Limited

## Chairman's statement

**Victrex staff**

All of the staff employed in the business in the UK, USA and Germany at the time of the buyout transferred from ICI to the new company. Recognising the importance of the staff to the business, attention has been paid to encouraging the necessary culture change at a sensible rate and developing a rewarding working environment. All staff are now shareholders via an employee share option scheme. The staff has responded well to the challenge and the success of the company's first year derives in large part from their support and effort.

Following the buyout, the company moved quickly to recruit the necessary additional staff to operate a high quality business in an expanded range of functions and has been successful in attracting capable people in all the areas where the company operates. As the business expands, this will continue to be an area of focus.

**The future**

Following its successful first year, the company is securely positioned for continued growth. The investment that has been made in quality products, staff and assets will allow ongoing development of applications with industry leaders, building on our solid base worldwide.

A key priority of the company is providing the best possible service to customers. This will require constant attention, and will call for additional investment by the company. Victrex is committed to such investment to maintain its leading edge position in high performance polymers.

The company is confident that the year ahead, although full of challenges for the business, will prove to be a year of growth in every aspect of the company's performance.

**PJ Rowley**
*Chairman*

# Victrex Limited

## Directors' report

The directors present their annual report and the audited financial statements for the period ended 30 September 1994.

**Principal activities**

The principal activity of the group is that of the manufacture and sale of polymers.

**Business review**

The company was incorporated on 25 February 1993 as Mandorla Limited. It changed its name to Victrex Limited on 30 September 1993 and commenced to trade on that date.

Victrex Limited acquired the share capital of Victrex USA, Inc, Victrex Manufacturing Limited and Victrex Sales Limited in September 1993. On 1 October 1993 the assets and trade of the former ICI Thermoplastic Polymer Plant, PEEK, were purchased by the group. This acquisition was financed by the issue of further equity and new debt.

The results for the period are set out on page 8.

**Proposed dividend and transfer to reserves**

The directors do not recommend the payment of a final dividend.

After deducting the preference dividends of £532,735, the profit for the period retained in the group is £4.56m.

**Significant changes in fixed assets**

Information relating to changes in fixed assets is given in notes 10 and 11 to the financial statements.

**Post balance sheet event**

By special resolution passed at an extraordinary general meeting held on 20 October 1994, the share premium account of Victrex Manufacturing Limited totalling £10m was cancelled, subject to approval by the High Court of Justice, which was granted on 7 December 1994. As a result, £10m has been transferred to a special capital reserve, being the amount of the share premium account so cancelled. Victrex Manufacturing Limited then applied £8,945,000 of the special capital reserve representing the goodwill arising on the purchase of the business and assets from ICI in the period to 30 September 1994.

# Victrex Limited

## Directors' report

**Directors and directors' interests**

The directors who held office during the period were as follows:

Executive directors:

J Bamford
D R Hummel
P J Rowley
P J C Syms
H A Butterworth (appointed 15 September 1993)

Non-executive directors:

A Clinch (appointed 30 September 1993)
J C C Meggs (appointed 30 September 1993)

The directors who held office at the end of the financial period had the following interests in the shares of group companies as recorded in the register of directors' share interests:

| | Company | Class of share | Interest at end of period | Interest at beginning of period or date of appointment |
|---|---|---|---|---|
| J Bamford | Victrex Limited | Ordinary | 727,088 | 20 |
| | | C Ordinary | 686,828 | - |
| | | D Ordinary | 228,942 | - |
| | | Preference | 16,429 | - |
| D R Hummel | Victrex Limited | Ordinary | 1,090,631 | 30 |
| | | C Ordinary | 1,030,242 | - |
| | | D Ordinary | 343,414 | - |
| | | Preference | 24,643 | - |
| P J Rowley | Victrex Limited | Ordinary | 1,090,631 | 30 |
| | | C Ordinary | 1,030,242 | - |
| | | D Ordinary | 343,414 | - |
| | | Preference | 24,643 | - |
| P J Syms | Victrex Limited | Ordinary | 727,087 | 20 |
| | | C Ordinary | 686,828 | - |
| | | D Ordinary | 228,942 | - |
| | | Preference | 16,429 | - |
| H A Butterworth | Victrex Limited | Ordinary | 158,063 | - |
| | | C Ordinary | 149,310 | - |
| | | D Ordinary | 49,770 | - |
| | | Preference | 3,571 | - |
| A Clinch | Victrex Limited | A Ordinary | 52,892 | - |
| | | B Ordinary | 204,252 | - |

Three-quarters of P J Syms's interest is non-beneficial.

**Directors and directors' interests** *(continued)*

None of the other directors who held office at the end of the financial period had any disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

**Political and charitable contributions**

The group made no political or charitable contributions during the period.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Victrex Limited

## Directors' report

**Auditors**

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**H A Butterworth**
*Secretary*

York House
Hill House International Site
PO Box 4
Thornton Cleveleys
BLACKPOOL
FY5 4DQ

KPMG

St James' Square
Manchester M2 6DS

# Auditors' report to the members of Victrex Limited

We have audited the financial statements on pages 8 to 31.

*Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

*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 group'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 affairs of the company and the group as at 30 September 1994 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants*
*Registered Auditors*

3 March 1995

# Victrex Limited

## Consolidated profit and loss account
*for the period ended 30 September 1994*

| | Note | 1994 £000 | 1993 £000 |
|---|---|---|---|
| **Turnover** - continuing operations | 2 | 23,444 | - |
| Cost of sales | | (12,950) | - |
| **Gross profit** | | 10,494 | - |
| Administrative expenses | | (3,470) | - |
| **Operating profit** - continuing operations | | 7,024 | - |
| Other interest receivable and similar income | 6 | 84 | - |
| Interest payable and similar charges | 7 | (1,260) | - |
| **Profit on ordinary activities before taxation** | 2-5 | 5,848 | - |
| Tax on profit on ordinary activities | 8 | (754) | - |
| **Profit on ordinary activities after taxation** | | 5,094 | - |
| Dividends paid and proposed | 9 | (533) | - |
| **Retained profit for the financial period** | 18 | 4,561 | - |
| The company | | 532 | - |
| Group undertakings | | 4,029 | - |
| | | 4,561 | - |

There are no recognised gains or losses other than the profit for the period.

# Victrex Limited

## Consolidated balance sheet
*at 30 September 1994*

| | Note | 1994 | | 1993 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *10* | | 9,750 | | |
| **Current assets** | | | | | |
| Stocks | *12* | 5,540 | | - | |
| Debtors | *13* | 3,794 | | - | |
| Cash at bank and in hand | | 4,957 | | - | |
| | | 14,291 | | - | |
| **Creditors:** amounts falling due within one year | *14* | (5,017) | | - | |
| **Net current assets** | | | 9,274 | | - |
| **Total assets less current liabilities** | | | 19,024 | | - |
| **Creditors:** amounts falling due after more than one year | *15* | | (11,690) | | - |
| **Provisions for liabilities and charges** | *16* | | (500) | | - |
| **Net assets** | | | 6,834 | | - |
| **Capital and reserves** | | | | | |
| Equity: | | | | | |
| Called up share capital | *17* | 347 | | - | |
| Profit and loss account | *18* | 4,562 | | - | |
| | | | 4,909 | | - |
| Non equity: | | | | | |
| Called up share capital | *17* | 111 | | - | |
| Share premium | *18* | 10,759 | | - | |
| Goodwill reserve | *18* | (8,945) | | | |
| | | | 1,925 | | - |
| | | | 6,834 | | - |

These financial statements were approved by the board of directors on 16 Feb '95 and were signed on its behalf by:

P J Rowley
*Director*

H Butterworth
*Director*

# Victrex Limited

## Balance sheet
*at 30 September 1994*

| | Note | 1994 | | 1993 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *10* | | - | | - |
| Investments | *11* | | 11,100 | | - |
| | | | 11,100 | | - |
| **Current assets** | | | | | |
| Debtors | *13* | 6,323 | | - | |
| Cash at bank and in hand | | 199 | | - | |
| | | 6,522 | | - | |
| **Creditors:** amounts falling due within one year | *14* | (1,191) | | - | |
| **Net current assets** | | | 5,331 | | - |
| **Total assets less current liabilities** | | | 16,431 | | - |
| **Creditors:** amounts falling due after more than one year | *15* | | (4,682) | | - |
| **Net assets** | | | 11,749 | | - |
| **Capital and reserves** | | | | | |
| Equity: | | | | | |
| Called up share capital | *17* | 347 | | - | |
| Profit and loss account | *18* | 532 | | - | |
| | | | 879 | | - |
| Non equity: | | | | | |
| Called up share capital | *17* | 111 | | - | |
| Share premium | *18* | 10,759 | | - | |
| | | | 10,870 | | - |
| | | | 11,749 | | - |

These financial statements were approved by the board of directors on and were signed on its behalf by:

**P J Rowley**
*Director*

**H Butterworth**
*Director*

# Victrex Limited

## Consolidated cash flow statement
*for the period ended 30 September 1994*

| | Note | 1994 | | 1993 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Net cash inflow from operating activities** | *23* | | 8,130 | | - |
| **Return on investments and servicing of finance** | | | | | |
| Interest received | | 84 | | - | |
| Interest paid | | (1,260) | | - | |
| Dividends paid | | (533) | | - | |
| **Net cash outflow from returns on investment and servicing of finance** | | | (1,709) | | - |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (190) | | - | |
| Purchases of subsidiary undertakings (net of cash and cash equivalents acquired) | *24* | (26,760) | | - | |
| Sale of tangible fixed assets | | 7 | | - | |
| **Net cash outflow from investing activities** | | | (26,943) | | - |
| **Net cash outflow before financing** | | | (20,522) | | - |
| **Financing** | | | | | |
| Issue of share capital | | 11,479 | | - | |
| Repayment of amounts borrowed | | (1,000) | | - | |
| New short-term loans | | 15,000 | | - | |
| **Net cash inflow from financing** | | | 25,479 | | - |
| **Increase in cash and cash equivalents** | *26* | | 4,957 | | - |

# Notes
*(forming part of the financial statements)*

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

***Basis of consolidation***

The group accounts consolidate the accounts of Victrex Limited and its subsidiary undertakings, all of which are made up to 30 September.

The results of subsidiaries acquired in the year are included in the consolidated profit and loss account from the date effective control passes. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost.

In accordance with Section 230(4) of the Companies Act 1985 Victrex Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Victrex Limited is disclosed in note 18 to these accounts.

***Fixed assets and depreciation***

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Freehold buildings | - | 30 years |
| Plant and machinery | - | 10 years |
| Fixtures and fittings | - | 5 years |
| Computers | - | 3 years |

***Purchased goodwill***

Goodwill relating to businesses purchased by the group, is written off immediately against reserves.

1 **Accounting policies** *(continued)*

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Transactions and monetary assets and liabilities denominated in foreign currencies which are subject to forward exchange contracts are recorded at the rate specified in those contracts.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Exchange differences arising on these translations are taken to reserves.

***Leases***

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

***Pensions***

Contributions are charged against profits so as to spread the cost of pensions over employees' working lives with the group. Further details are given in note 22.

***Finance costs***

The finance costs of debt are deducted from the gross debt, and are allocated over the term to give a constant rate on the carrying amount of the debt.

***Research and development expenditure***

All research and development expenditure is written to the profit and loss account in the period in which it is incurred.

***Stocks***

Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products cost includes the attributable proportion of manufacturing overhead costs.

1 **Accounting policies** ***(continued)***

***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that there is a reasonable probability that an actual liability will crystallise in the foreseeable future.

***Turnover***

Turnover represents the amounts (excluding value added tax) receivable for goods and services sold to third party customers during the period.

2 **Analysis of turnover**

An analysis of turnover by geographical market has not been prepared as the directors believe it would be detrimental to the commercial interests of the group.

All turnover and profits before taxation are derived from the group's principal activity.

All turnover, cost of sales and operating profit are derived from continuing operations, relating to the acquisition of the trade and assets in the first period of trading.

3 **Profit on ordinary activities before taxation**

| | 1994<br>£000 | 1993<br>£000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated*** | | |
| ***after charging*** | | |
| Auditors' remuneration: | | |
| Audit | 25 | - |
| Other services | 31 | - |
| Depreciation and other amounts written off tangible fixed assets | 1,047 | - |
| Exchange losses | 13 | - |
| Hire of plant and machinery - rentals payable under operating leases | 15 | - |
| Hire of other assets - operating leases | 9 | - |
| ***after crediting*** | | |
| Exchange gains | 1 | - |

## Notes *(continued)*

### 4 Remuneration of directors

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Directors' emoluments: | | |
| As directors | 421 | - |
| Amounts paid to third parties in respect of directors' fees | 15 | - |
| | 436 | - |

The emoluments, excluding pension contributions, of the chairman and highest paid director were £91,227 *(1993:£Nil)*.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

| | | | Number of directors 1994 | 1993 |
|---|---|---|---|---|
| £0 | - | £ 5,000 | 2 | 4 |
| £65,001 | - | £70,000 | 3 | - |
| £85,001 | - | £90,000 | 1 | - |
| £90,001 | - | £95,000 | 1 | - |

## 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

| | Number of employees 1994 | 1993 |
|---|---|---|
| Administration | **6** | - |
| Operations | **30** | - |
| Technical | **15** | - |
| Sales | **16** | - |
| | **67** | - |

The aggregate payroll costs of these persons were as follows:

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Wages and salaries | **1,977** | - |
| Social security costs | **190** | - |
| Other pension costs (see note 22) | **247** | - |
| | **2,414** | - |

## 6 Other interest receivable and similar income

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Other | **84** | - |

## Notes *(continued)*

### 7 Interest payable and similar charges

| | 1994 | 1993 |
|---|---|---|
| | £000 | £000 |
| On bank loans repayable within five years | 1,260 | - |

### 8 Taxation

| | 1994 | 1993 |
|---|---|---|
| | £000 | £000 |
| UK corporation tax at 33% *(1993:33%)* on the profit for the period on ordinary activities | 212 | - |
| Overseas taxation | 42 | - |
| Deferred taxation (note 16) | 500 | - |
| | 754 | - |

### 9 Dividends

| | 1994 | 1993 |
|---|---|---|
| | £000 | £000 |
| Preference shares: | | |
| Interim | 533 | - |

# Victrex Limited

## Notes *(continued)*

### 10(a) Tangible fixed assets

| | Freehold land and buildings | Plant and machinery | Computers | Fixtures fittings tools and equipment | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Group** | | | | | |
| *Cost* | | | | | |
| At beginning of period | - | - | - | - | - |
| Additions | 614 | 10,023 | 112 | 55 | 10,804 |
| Disposals | - | - | (7) | - | (7) |
| At end of period | 614 | 10,023 | 105 | 55 | 10,797 |
| *Depreciation* | | | | | |
| At beginning of period | - | - | - | - | - |
| Charge for period | 20 | 1,001 | 18 | 8 | 1,047 |
| At end of period | 20 | 1,001 | 18 | 8 | 1,047 |
| ***Net book value*** | | | | | |
| **At 30 September 1994** | **594** | **9,022** | **87** | **47** | **9,750** |
| At 31 August 1993 | - | - | - | - | - |

## 10(a) Tangible fixed assets *(continued)*

| | Computers | Fixtures fittings tools and equipment | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Company** | | | |
| ***Cost*** | | | |
| At beginning of period | - | - | - |
| Additions | 2 | 8 | 10 |
| Intra group transfers | (2) | (8) | (10) |
| At end of period | – | - | - |
| ***Depreciation*** | | | |
| At beginning of period | - | - | - |
| Charge for period | - | - | - |
| At end of period | - | - | - |
| ***Net book value*** | | | |
| **At 30 September 1994** | - | - | - |
| At 31 August 1993 | - | - | - |

## 10(b) Intangible fixed assets

| | 1994 |
|---|---|
| | £000 |
| Additions in the period, at cost: | |
| Purchased goodwill (see note 10 (c)) | 8,086 |
| Acquisition costs | 859 |
| | 8,945 |

All goodwill has been written off direct to reserves.

### 10(c) Fair value table

On 1 October 1993 the assets and trade of the former ICI Thermoplastics Polymer Plant, PEEK, were purchased.

| Assets purchased: | Fair value £000 |
|---|---|
| Stock | 6,400 |
| Buildings | 614 |
| Plant and machinery | 10,000 |
| Purchased goodwill | 8,086 |
| | 25,100 |
| Discharged by: | |
| Cash | 25,100 |

### 11 Tangible fixed asset investments

| Company | Shares in group undertakings £000 |
|---|---|
| *Cost* | |
| At beginning of period | - |
| Additions | 11,100 |
| At end of period | 11,100 |
| *Net book value* | |
| At 30 September 1994 | 11,100 |
| At 31 August 1993 | - |

Shares in group undertakings comprise £11,100,059 *(1993:£Nil)*.

11 **Fixed asset investments** *(continued)*

The companies in which the group's interest is more than 10% are as follows:

| | Country of registration or incorporation | Principal activity | Class and percentage of shares held | |
|---|---|---|---|---|
| | | | Class | Percentage |
| ***Subsidiary undertakings*** | | | | |
| Victrex Manufacturing Ltd | Great Britain | Manufacture of polymers | ordinary | 100% |
| Victrex Sales Ltd | Great Britain | Sale of polymers | ordinary | 100% |
| Victrex USA Inc | USA | Sale of polymers | ordinary | 100% |

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Manufacturing Limited. The consideration given was £11,000,000 representing the nominal value of the shares acquired of £1,000,000 and share premium of £10,000,000.

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Sales Limited. The consideration given was £100,000 representing the nominal value of the shares acquired.

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Inc (a company incorporated in USA). The consideration given was £69 representing the sterling equivalent of the nominal value of the shares acquired.

12 **Stocks**

| | Group | | Company | |
|---|---|---|---|---|
| | **1994** | 1993 | **1994** | 1993 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **1,368** | - | - | - |
| Work in progress | **316** | - | - | - |
| Finished goods and goods for resale | **3,856** | - | - | - |
| | **5,540** | - | - | - |

## Notes *(continued)*

### 13 Debtors

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Trade debtors | 3,755 | - | - | - |
| Amounts owed by group undertakings | - | - | 6,160 | - |
| Other debtors | 21 | - | 154 | - |
| Prepayments and accrued income | 18 | - | 9 | - |
| | 3,794 | - | 6,323 | - |
| ***The amounts owed by group undertakings comprise:*** | | | | |
| Subsidiary undertakings | - | - | 6,160 | - |

### 14 Creditors: amounts falling due within one year

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| Bank loan (see note 15) | 2,000 | - | 800 | - |
| Trade creditors | 1,417 | - | 24 | - |
| Amounts owed to group undertakings | - | - | 435 | - |
| Other creditors including taxation and social security: | | | | |
| Corporation tax | 44 | - | (650) | - |
| Other taxes | 327 | - | - | - |
| Social security | 12 | - | - | - |
| Other creditors | 7 | - | - | - |
| Accruals and deferred income | 1,210 | - | 582 | - |
| | 5,017 | - | 1,191 | - |

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| ***The amounts owed to group undertakings comprise:*** | | | | |
| Subsidiary undertakings | - | - | 435 | - |

15 **Creditors: amounts falling due after more than one year**

| | Group 1994 | Group 1993 | Company 1994 | Company 1993 |
|---|---|---|---|---|
| | **£000** | £000 | **£000** | £000 |
| Bank loan | **11,690** | - | **4,682** | - |

Creditors payable by instalments, as at the balance sheet date

| | Instalments payable within five years 1994 | 1993 |
|---|---|---|
| | **£000** | £000 |
| **Group** | | |
| Bank loan | **11,690** | - |
| **Company** | | |
| Bank loan | **4,682** | - |

At the balance sheet date the bank loan was repayable in 12 instalments over a six year period. Interest is charged at 8.56%. All instalments are payable within five years of the balance sheet date.

In December 1994 £4m of the bank loan in Victrex Manufacturing Limited was redeemed early. The effect of this, if it had happened before the period end, would have been to increase "creditors due within one year" and decrease net current assets by £4m.

The loan is secured by a fixed and floating charge over the assets of the group.

16 **Provisions for liabilities and charges**

| | Taxation including deferred taxation |
|---|---|
| | £000 |
| **Group** | |
| At beginning of period | - |
| Utilised during period | - |
| Charge for the period in the profit and loss account | 500 |
| At end of period | 500 |

# Victrex Limited

## Notes *(continued)*

**16 Provisions for liabilities and charges** *(continued)*

**The amounts provided for deferred taxation and the amounts not provided are set out below:**

| | 1994 | | 1993 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| | **£000** | **£000** | £000 | £000 |
| **Difference between accumulated depreciation and capital allowances** | **398** | **1,445** | - | - |
| **Other timing differences** | **102** | **102** | - | - |
| | **500** | **1,547** | - | - |

**A partial provision for deferred taxation has been calculated based on capital expenditure projections.**

# Victrex Limited

## Notes *(continued)*

### 17 Called up share capital

| | 1994 | 1993 |
|---|---|---|
| | £ | £ |
| ***Authorised*** | | |
| Ordinary shares of 1p each (1993: £1 each) | 37,935 | 1,000 |
| 'A' ordinary shares of 1p each | 114,413 | - |
| 'B' ordinary shares of 1p each | 142,730 | - |
| 'C' ordinary shares of 1p each | 39,406 | - |
| 'D' ordinary shares of 1p each | 22,659 | - |
| Cumulative redeemable preference shares | 111,429 | - |
| | 468,572 | 1,000 |
| ***Allotted, called up and fully paid*** | | |
| Equity | | |
| Ordinary shares of 1p each (1993: £1 each) | 37,935 | 100 |
| 'A' ordinary shares of 1p each | 114,413 | - |
| 'B' ordinary shares of 1p each | 142,730 | - |
| 'C' ordinary shares of 1p each | 39,406 | - |
| 'D' ordinary shares of 1p each | 11,945 | - |
| | 346,429 | 100 |
| Non equity | | |
| Cumulative redeemable preference shares | 111,321 | - |
| | 457,750 | 100 |

On 15 September 1993, the company altered the nominal value of the ordinary shares from £1 to 1p.

On 15 September 1993, the company issued 1,040 ordinary shares, at par. On 17 September 1993, there was a rights issue of 8,560,392 1p ordinary shares, at par, to provide working capital for the company.

On 30 September 1993, the following shares were issued in order to finance the acquisition of the assets of Victrex Peek, a division of ICI plc and to establish the structure of the company:

- 4,777,932 1p ordinary shares were redesignated as "C" ordinary shares.
- 11,441,300 1p "A" ordinary shares were allotted, at par.
- 14,273,000 1p "B" ordinary shares were allotted, at par.
- 11,128,572 1p cumulative redeemable preference shares were allotted at a premium of 99p per share.

17 **Called up share capital** *(continued)*

On 20 May 1994, 357,143 1p "C" ordinary shares were issued at par and 3,572 1p cumulative redeemable preference shares were issued to employees of the company at a premium of 99p per share.

On 21 April 1994 and 15 July 1994 respectively, in order to facilitate an employees' share option scheme, 1,071,425 and 1,194,482 1p "C" ordinary shares respectively were redesignated as "D" ordinary shares.

*Share rights*

*i) Conversion and redemption*

In the event of a sale or listing, "B" ordinary shares will be converted into "A" ordinary shares and "C" ordinary shares will be converted into ordinary shares, on a one for one basis. "D" ordinary shares rank pari passu with the "C" ordinary shares.

The cumulative redeemable preference shares are redeemable at the total amount paid up thereon, together with all arrears and accruals of dividends, as follows:

| | |
|---|---|
| 1 October 2000 | One fifth of the nominal value outstanding |
| 1 October 2001 | One quarter of the nominal value outstanding |
| 1 October 2002 | One third of the nominal value outstanding |
| 1 October 2003 | One half of the nominal value outstanding |
| 1 October 2004 | The balance then outstanding. |

The company may redeem the shares earlier in multiples of 100,000 shares.

The cumulative redeemable preference shares will be redeemed in full prior to the sale or listing.

*ii) Voting*

The only shares carrying voting rights are the ordinary shares and the "A" ordinary shares. Each 1p share carries one vote.

In the event of a sale or listing all shares, other than the cumulative redeemable preference shares, carry voting rights.

*iii) Capital rights*

In the event of a capital distribution, the preference shareholders are entitled to both the amounts paid up on shares and any accruals and arrears of dividends then due.

Any remaining assets are distributed to all other shareholders (pari passu) in proportion to the amounts paid up on the aggregate of those share classes.

# Victrex Limited

## Notes *(continued)*

17 **Called up share capital** *(continued)*

*iv) Dividend rights*

The preference shares are entitled to a fixed cumulative preferential dividend of 6.4% per annum (together with the benefit of any associated tax credit).

All other shares rank pari passu as regards dividends, and such dividends are at the discretion of the directors.

18 **Share premium and reserves**

| | Share premium account | Group Profit and loss account | Goodwill |
|---|---|---|---|
| | £000 | £000 | £000 |
| At beginning of period | - | - | - |
| Goodwill written off | - | - | (8,945) |
| Net proceeds of shares issued in the period | 10,759 | - | - |
| Retained profit for period | - | 4,561 | - |
| Exchange adjustment | - | 1 | - |
| At end of period | 10,759 | 4,562 | (8,945) |

| | Company Share premium account | Profit and loss account |
|---|---|---|
| | £000 | £000 |
| At beginning of period | - | - |
| Retained profit for period | - | 532 |
| Net proceeds of shares issued in the period | 10,759 | - |
| At end of period | 10,759 | 532 |

The cumulative amount of goodwill resulting from acquisitions in the current financial period which has been written off is £8,945,000.

The company's profit for the financial year was £532,000 *(1993:£Nil)*.

## Notes *(continued)*

### 19 Reconciliation of movements in shareholders' funds

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| **Profit for the financial period** | 5,094 | - | 1,065 | - |
| Dividends | (533) | - | (533) | - |
| | 4,561 | - | 532 | - |
| Exchange gain on consolidation | 1 | - | - | - |
| New share capital subscribed | 11,217 | - | 11,217 | - |
| Goodwill written off on acquisition | (8,945) | - | - | - |
| **Net addition to shareholders' funds** | 6,834 | - | 11,749 | - |
| Opening shareholders' funds | - | - | - | - |
| **Closing shareholders' funds** | 6,834 | - | 11,749 | - |

### 20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the period end was £Nil *(1993:£Nil)*.

### 21 Commitments

(i) Capital commitments at the end of the financial period for which no provision has been made.

There were no authorised but not contracted commitments at the period end.

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| Contracted | 70 | - | - | - |

(ii) Annual commitments under non-cancellable operating leases are as follows:

| **Group** | 1994 Other £000 | 1993 Other £000 |
|---|---|---|
| Operating leases which expire: | | |
| In the second to fifth years inclusive | 28 | - |

### 22 Pension scheme

The group operates a pension scheme in which certain employees of subsidiary undertakings participate. The scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account of the relevant company so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 October 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The most recent actuarial valuation was carried out at the inception of the scheme, at which time the scheme's assets were transfers due from other pension scheme arrangements amounting to £2,426,000. Thus the actuarial value of the scheme's assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the employees will remain at the rates set out in the Rules of the Fund, of 1.8% or 6.5% of pensionable earnings. The contributions of the relevant group companies will remain at 18.3% of pensionable salary, inclusive of permanent health insurance costs.

The total charge for the period in the profit and loss account of the group was £247,000. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 23 Reconciliation of operating profit to net cash inflow from operating activities

| | 1994 | 1993 |
|---|---|---|
| | £000 | £000 |
| Operating profit | 7,024 | - |
| Depreciation charge | 1,047 | - |
| Decrease in stocks | 860 | - |
| Increase in debtors | (3,794) | - |
| Increase in creditors | 2,674 | - |
| Acquisition costs | 319 | - |
| Net cash inflow from operating activities | 8,130 | - |

## Notes *(continued)*

### 24 Purchase of business

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Tangible fixed assets | 10,614 | - |
| Stocks | 6,400 | - |
| | 17,014 | - |
| Acquisition costs | 1,660 | - |
| Purchased goodwill | 8,086 | - |
| Consideration given | 26,760 | - |
| Satisfied by | | |
| Cash | 26,760 | - |

Prior to the acquisition of the business the group did not trade.

### 25 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the business

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Cash consideration | 26,760 | - |
| Cash at bank and in hand acquired/(disposed of) | - | - |
| Bank overdrafts acquired/(disposed of) | - | - |
| Net outflow of cash and cash equivalents | 26,760 | - |

### 26 Analysis of changes in cash and cash equivalents

| | Cash £000 |
|---|---|
| Balance at 31 August 1993 | - |
| Net cash inflow/(outflow) | 4,957 |
| Balance at 30 September 1994 | 4,957 |

## Notes *(continued)*

### 27 Analysis of changes in financing during the period

| | Share capital (including premium) | Loans and finance lease obligations |
|---|---|---|
| Balance at 31 August 1993 | - | - |
| Cash inflow from shares issued | 11,479 | - |
| Share issue costs | (262) | - |
| Inception of bank loan | - | 15,000 |
| Loan repayments | - | (1,000) |
| Adjustment re FRS4 | - | (310) |
| Balance at 30 September 1994 | 11,217 | 13,690 |

### 28 Post balance sheet events

By special resolution passed at an extraordinary general meeting held on 20 October 1994, the share premium account of Victrex Manufacturing Limited totalling £10m was cancelled, subject to approval by the High Court of Justice, which was granted on 7 December 1994. As a result, £10m has been transferred to a special capital reserve, being the amount of the share premium account so cancelled. Victrex Manufacturing Limited then applied £8,945,000 of the special capital reserve representing the goodwill arising on the purchase of the business and assets from ICI in the period to 30 September 1994.