

ARTHUR
ANDERSEN
& CO.

4722531



VITA INTERNATIONAL LIMITED

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ACCOUNTS -- 31 DECEMBER 1989

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



VITA INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1989

The directors present their annual report on the affairs of the Company together with the accounts and auditors' report for the year ended 31 December 1989

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the holding of the overseas investments of British Vita PLC.

The remaining 20% of the shareholding in PT Vitafoam Indonesia was sold in March 1989 and, effective mid-year, the business of Vitafoam Kenya was sold because, although profitable, it utilised resources as a small investment without sufficient critical mass to justify continued involvement.

The investment in the ICOA group was transferred to Vita International Limited from the parent company during 1989.

In August the Company acquired the 44% minority shareholders interest in Metzeler Laminados Iberia SA to bring total interest to 94% followed in December 1989 by the purchase of the Spartech Corporation in the USA.

Dividend income is recognised on a received as against receivable basis.

RESULTS AND DIVIDENDS

Results and dividends paid and proposed are as follows:

Retained profit at 31 December 1988	E 79,077
Profit for the financial year	3,547,116
Dividends paid and proposed	(573,188)
Retained profit at 31 December 1989	<u>E3,053,005</u> <u>=====</u>

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows :

R. McGee
F.A. Parker
R.H. Sellers
F.J. Eaton
L.D. Lawton
D.R. Hine
J.H. Ogden
A.G.C. Hunt
G.J. Szalmuk (Australia)
J.B. Aldridge

The interests of A.G.C. Hunt, G.J. Szalmuk and J. B. Aldridge in the shares of the holding company, British Vita PLC, were as follows -

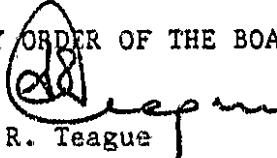
	Ordinary shares of 25p each			
	<u>1989</u>		<u>1988</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
J.B. Aldridge	19,232	69,811	24,232	69,811
A.G.C. Hunt	45,016	-	50,000	-
G.J. Szalmuk	-	-	-	-
	=====	=====	=====	=====

The interests of the other directors in the shares of the holding company are shown in the consolidated accounts of that company.

AUDITORS

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD


A.R. Teague
Secretary

14 March 1990

ARTHUR ANDERSEN & Co.

5th Floor
9 Commercial Street
Manchester M1 4EU

Auditor's Report to the Members of Vita International Limited:

We have audited the financial statements on pages 4 to 11 in accordance with Auditing Standards.

As explained in the accounting policies on page 7 the Company has recognised dividend income on a received instead of a receivable basis as required by generally accepted accounting principles.

Except for the effects of accounting for dividend income in the manner described in the preceding paragraph, in our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the above qualification is not material for the purpose of determining whether any distribution payable by reference to the accounts is permitted under the Companies Act 1985.

Arthur Andersen & Co.

14 March 1990

VITA INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
DIVIDENDS RECEIVED		£ 3,374,665	£ 2,131,331
Other operating income		131,865	46,865
Administrative expenses		(53,189)	(43,415)
Interest receivable		23,978	21,131
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	£ 3,477,319	£ 2,155,912
Tax on profit on ordinary activities	2	(213,713)	(127,713)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		£ 3,263,606	£ 2,028,199
Extraordinary items	3	283,510	(34,451)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		£ 3,547,116	£ 1,993,748
Dividends paid and proposed	4	(573,188)	(2,003,447)
		-----	-----
RETAINED PROFIT (LOSS) FOR THE YEAR		£ 2,973,928	£ (9,699)
PROFIT AND LOSS ACCOUNT, beginning of year		79,077	88,776
		-----	-----
PROFIT AND LOSS ACCOUNT, end of year		£ 3,053,005	£ 79,077
		=====	=====

The accompanying notes form an integral part of this account.

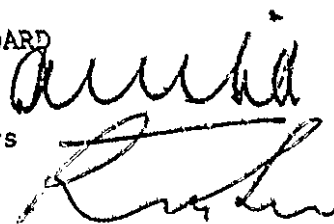
VITA INTERNATIONAL LIMITED

BALANCE SHEET -- 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
FIXED ASSETS			
Investments	5	<u>£26,925,547</u>	<u>£ 3,810,004</u>
CURRENT ASSETS			
Debtors	6	£ 110,265	£ 234,045
Cash at bank and in hand		<u>449,806</u>	<u>171,359</u>
		£ 560,071	£ 405,404
CREDITORS: Amounts falling due within one year	7	<u>(861,951)</u>	<u>(1,408,669)</u>
NET CURRENT LIABILITIES		<u>£ (301,880)</u>	<u>£(1,003,265)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£26,623,667</u>	<u>£ 2,806,739</u>
CREDITORS: Amounts falling due after more than one year	8	<u>-</u>	<u>(2,000,000)</u>
NET ASSETS		<u>£26,623,667</u>	<u>£ 806,739</u>
CAPITAL AND RESERVES			
Called-up share capital	9	£ 804,939	£ 713,567
Share premium account		22,753,658	2,070
Capital redemption reserve		12,025	12,025
Profit and loss account		<u>3,053,005</u>	<u>79,077</u>
TOTAL CAPITAL EMPLOYED		<u>£26,623,667</u>	<u>£ 806,739</u>

SIGNED ON BEHALF OF THE BOARD

R. McGee)
) Directors
 R.H. Sellers)



14 March 1990

The accompanying notes form an integral part of this balance sheet.

VITA INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>1989</u>	<u>1988</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation and total funds from operations	£ 3,477,319	£ 2,155,912
Increase in amount due to holding company	-	339,625
Sale of investment in Associate	345,930	-
Proceeds from issue of ordinary shares	22,843,000	-
Decrease in net current assets, as shown below	844,326	258,414
	----- £27,510,575 =====	----- £ 2,753,951 =====
APPLICATION OF FUNDS		
Dividend paid	£ 2,123,188	£ 503,447
Tax paid	209,424	119,063
Extraordinary items	-	34,451
Decrease in amount due to holding company	2,000,000	-
Investment in subsidiaries	7,604,698	2,096,990
Increase in investment in associates	15,573,265	-
	----- £27,510,575 =====	----- £ 2,753,951 =====
(DECREASE) INCREASE IN NET CURRENT ASSETS		
Debtors	£ (123,780)	£ (307,753)
Creditors falling due within one year	(998,993)	(116,803)
	----- £(1,122,773)	----- £ (424,556)
Movement in net liquid funds:		
Cash at bank and in hand	278,447	166,142
	----- £ (844,326) =====	----- £ (258,414) =====

The accompanying notes form an integral part of this statement.

VITA INTERNATIONAL LIMITED

ACCOUNTING POLICIES

1. BASIS OF ACCOUNTS

The accounts have been prepared under the historical cost convention. As permitted by Section 229 of the Companies Act 1985 the Company has not presented consolidated accounts.

2. FOREIGN CURRENCY

Foreign currency balances are translated at the rate of exchange at the year end or the appropriate contract rate. Gains and losses are dealt with in the profit and loss account.

3. INVESTMENTS

Investments in subsidiary companies are stated at cost as adjusted for distributable reserves capitalised by certain subsidiaries.

Investments in associated companies are stated at cost less appropriate provision.

4. DIVIDEND INCOME

Dividend income comprises all dividends received during the year ended 31 December 1989.

5. TAXATION

Corporation tax payable is provided on taxable profits at the current rate after adjusting for double taxation relief in respect of overseas taxation.

VITA INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS -- 31 DECEMBER 1989

1. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging auditors' remuneration of £8,800 (1988 - £8,600). No directors' emoluments were paid during the year (1988 - £Nil). The Company has no employees.

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1989</u>	<u>1988</u>
UK corporation tax at 35%	£ 4,289	£ 8,650
Overseas taxation	209,424	119,063
	<u>£ 213,713</u>	<u>£ 127,713</u>

3. EXTRAORDINARY ITEMS

	<u>1989</u>	<u>1988</u>
Profit arising on disposal of investment in Vitafoam Indonesia	£ 283,510	£ -
Dividend received previously written-off	-	549
Loss on realisation of investment in Zambia	-	(35,000)
	<u>£ 283,510</u>	<u>£ (34,451)</u>

4. DIVIDENDS PAID AND PROPOSED

	<u>1989</u>	<u>1988</u>
Preference dividend	£ 3,447	£ 3,447
Ordinary dividend	569,741	2,000,000
	<u>£ 573,188</u>	<u>£2,003,447</u>

5. INVESTMENTS

a) Investments comprise -

	<u>Subsidiary companies</u>	<u>Associated companies Listed</u>	<u>Unlisted</u>	<u>Total</u>
SHARES AT COST				
Beginning of year	£2,854,916	£ 20,000	£ 918,363	£ 3,793,279
Additions	7,604,698	15,573,265	-	23,177,963
Disposals	-	-	(62,420)	(62,420)
End of year	£10,459,614	£15,593,265	£ 855,943	£26,908,822
CAPITALISED RESERVES				
Beginning and end of year	£ 16,725	£ -	£ -	£ 16,725
Net book value end of year	£ 10,476,339	£15,593,265	£ 855,943	£26,925,547
Market value of listed companies and directors' valuation of unlisted companies		£14,168,000	£10,650,000	£24,818,000

b) The principal direct investments are as follows -

	<u>Company interest</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
SUBSIDIARY COMPANIES			
Australia Vita Pty Limited	100%	Australia	Holding company
Vita Polymers Europe BV	100%	Netherlands	Holding company
Vita Holdings Inc	100%	Canada	Holding company
Vitafoam Kenya Limited	75%	Kenya	Cellular foam products
Vita Polymers Denmark A/S	100%	Denmark	Holding company
ICOA SA	100%	Spain	Cellular foam products
Metzeler Laminados Iberia SA	44%	Spain	Polymeric products
ASSOCIATED COMPANIES			
Spartech Corporation	28%	USA	Manufacture and processing of polymer products
Taki-Vita SAE	40%	Egypt	Cellular foam products
Vitafoam Nigeria Limited	20%	Nigeria	Cellular foam products

6. DEBTORS

	<u>1989</u>	<u>1988</u>
Amounts owed by group companies	£ 91,142	£ 170,685
Amounts owed by related companies	13,415	47,150
Other debtors	2,954	13,877
VAT	1,200	1,412
Prepayments and deferred income	1,554	921
	-----	-----
	£ 110,265	£ 234,045
	=====	=====

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1989</u>	<u>1988</u>
Amounts owed to group companies	£ 493,007	£1,321,641
Amounts owed to related companies	13,013	12,194
U.K. corporation tax payable	41,939	37,650
Other creditors	305,192	9,102
Accruals	8,800	28,082
	-----	-----
	£ 861,951	£1,408,669
	=====	=====

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1989</u>	<u>1988</u>
Amounts owed to parent company	£ -	£2,000,000
	=====	=====

9. CALLED-UP SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and fully-paid</u>
6% cumulative preference shares of £1 each	£ 60,000	£ 57,450
6% redeemable cumulative preference shares of £1 each	100,000	33,104
Ordinary shares of £1 each	740,000	714,385
	-----	-----
	£ 900,000	£ 804,939
	=====	=====

The 6% redeemable cumulative preference shares which were due to be redeemed by 1970 are owned by the holding company, British Vita PLC; no further redemption of these shares is contemplated.

During the year the Company allotted 91,372 Ordinary shares with a nominal value of £91,372 and at a premium of £22,751,628 in consideration for the transfer of the whole of the share capital of ICOA SA, and 28% of the share capital of Spartech Corporation from British Vita PLC.

10. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company has jointly guaranteed the bank overdrafts of the parent company and certain UK fellow subsidiaries. The directors are of the opinion that no liability is likely to arise.

11. HOLDING COMPANY

The Company is a wholly-owned subsidiary of British Vita PLC, a company incorporated in England.