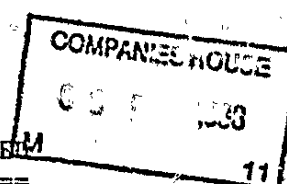


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VITA INTERNATIONAL LIMITED

ACCOUNTS -- 31 DECEMBER 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

VITA INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1987

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 1987.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

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

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

**RESULTS AND DIVIDENDS**

Results and dividends are as follows:

|                                     |           |
|-------------------------------------|-----------|
| Retained profit at 31 December 1986 | £ 12,433  |
| Profit for the financial year       | 579,780   |
| Dividends paid                      | (503,447) |
| Retained profit at 31 December 1987 | £ 88,776  |
|                                     | =====     |

**DIRECTORS AND THEIR INTERESTS**

The directors of the Company during the year were -

R. McGee  
F.A. Parker  
G. Blunt (resigned 6 April 1987)  
R.H. Sellers  
F.J. Eaton  
L.D. Lawton  
D.R. Hine (appointed 23 June 1987)  
J.H. Ogden  
A.G.C. Hunt  
G.J. Szalmuk (Australia)

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

|              | Ordinary shares of 25p each |                |                  |                |
|--------------|-----------------------------|----------------|------------------|----------------|
|              | 31 December 1987            |                | 31 December 1986 |                |
|              | <u>Shares</u>               | <u>Options</u> | <u>Shares</u>    | <u>Options</u> |
| A.G.C. Hunt  | 11,483                      | 14,908         | 7,595            | 19,131         |
| 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.

BY ORDER OF THE BOARD

  
A. K. Teague  
Secretary

14 March 1988

ARTHUR ANDERSEN & Co.

BANK HOUSE  
9 CHARLOTTE STREET  
MANCHESTER M1 4EU

To the Members of Vita International Limited:

We have audited the accounts set out on pages 4 to 11 in accordance with approved Auditing Standards.

As explained in the accounting policies on page 7 the Company has recognised dividend income on a received basis 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 accounts which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company at 31 December 1987, and of the profit and source and application of funds for the year then ended, and comply 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 these accounts is permitted under the Companies Act 1985.

Arthur Andersen

14 March 1988

VITA INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1987

|   | <u>Notes</u> | <u>1987</u> | <u>1986</u> |
|---|--------------|-------------|-------------|
| DIVIDENDS                                     |              | £ 782,265   | £2,143,009  |
| Other operating income                        |              | 58,214      | 170,323     |
| Administrative expenses                       |              | (241,422)   | (547,973)   |
| Interest receivable                           |              | 35,709      | 24,085      |
|   |              | -----       | -----       |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 1            | £ 634,766   | £1,789,444  |
| Tax on profit on ordinary activities          | 2            | (61,902)    | (141,848)   |
|   |              | -----       | -----       |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION  |              | £ 572,864   | £1,647,596  |
| Extraordinary items                           | 3            | 6,916       | (421,108)   |
|   |              | -----       | -----       |
| PROFIT FOR THE FINANCIAL YEAR                 |              | £ 579,780   | £1,226,488  |
| Dividends paid                                | 4            | (503,447)   | (1,319,447) |
|   |              | -----       | -----       |
| RETAINED PROFIT (LOSS) FOR THE YEAR           |              | £ 76,333    | £ (92,959)  |
| PROFIT AND LOSS ACCOUNT, beginning of year    |              | 12,443      | 105,402     |
|   |              | -----       | -----       |
| PROFIT AND LOSS ACCOUNT, end of year          |              | £ 88,776    | £ 12,443    |
|   |              | =====       | =====       |

The accompanying notes form an integral part of these accounts.

VITA INTERNATIONAL LIMITED

BALANCE SHEET — 31 DECEMBER 1987

|   | <u>Notes</u> | <u>1987</u>        | <u>1986</u>        |
|---|--------------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                     |              |                    |                    |
| Investments   | 5            | <u>£ 1,713,014</u> | <u>£ 1,786,128</u> |
| <b>CURRENT ASSETS</b>                                   |              |                    |                    |
| Debtors   | 6            | £ 541,798          | £ 2,613,238        |
| Cash at bank and in hand                                |              | 5,217              | 94,697             |
|   |              | <u>£ 547,015</u>   | <u>£ 2,707,935</u> |
| CREDITORS: Amounts falling due within one year          | 7            | <u>(221,401)</u>   | <u>(625,527)</u>   |
| NET CURRENT ASSETS                                      |              | <u>£ 325,614</u>   | <u>£ 2,082,408</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |              | <u>£ 2,038,628</u> | <u>£ 3,868,536</u> |
| CREDITORS: Amounts falling due after more than one year | 8            | <u>(1,222,190)</u> | <u>(3,128,431)</u> |
| NET ASSETS  |              | <u>£ 816,438</u>   | <u>£ 740,105</u>   |
| <b>CAPITAL AND RESERVES</b>                             |              |                    |                    |
| Called-up share capital                                 | 9            | £ 713,567          | £ 713,567          |
| Share premium account                                   |              | 2,070              | 2,070              |
| Capital redemption reserve fund                         |              | 12,025             | 12,025             |
| Profit and loss account                                 |              | 88,776             | 12,443             |
| <b>TOTAL CAPITAL EMPLOYED</b>                           |              | <u>£ 816,438</u>   | <u>£ 740,105</u>   |

SIGNED ON BEHALF OF THE BOARD

R. McGee )

R.H. Sellers )

Directors

14 March 1988

The accompanying notes form an integral part of these accounts.

VITA INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1987

|   | <u>1987</u>         | <u>1986</u>        |
|---|---------------------|--------------------|
| <b>SOURCE OF FUNDS</b>                                    |                     |                    |
| Profit on ordinary activities before taxation             | £ 634,766           | £ 1,789,444        |
| Adjustment for items not involving the movement of funds: |                     |                    |
| Loss on disposal of investments                           | (75,895)            | -                  |
| Write-off of dividends receivable                         | -                   | 27,939             |
| Exchange rate adjustment                                  | -                   | (4,643)            |
| Total funds from operations                               | £ 558,871           | £ 1,812,740        |
| Proceeds from disposal of investments                     | 146,855             | 657,327            |
| Extraordinary dividend receipts                           | 3,089               | 13,760             |
| Decrease in net current assets, as shown below            | 1,763,067           | -                  |
|   | <u>£ 2,471,882</u>  | <u>£ 2,483,827</u> |
| <b>APPLICATION OF FUNDS</b>                               |                     |                    |
| Dividend paid   | £ 503,447           | £ 1,319,447        |
| Tax paid  | 37,902              | 141,848            |
| Investment in associated company                          | 4,292               | 24,974             |
| Decrease in amount due to holding company                 | 1,906,241           | -                  |
| Loss arising on receivership of associated company        | -                   | 429,472            |
| Increase in net current assets, as shown below            | -                   | 568,086            |
|   | <u>£ 2,471,882</u>  | <u>£ 2,483,827</u> |
| <b>INCREASE (DECREASE) IN NET CURRENT ASSETS</b>          |                     |                    |
| Debtors   | £(2,106,713)        | £ 171,968          |
| Creditors falling due within one year                     | 433,126             | 350,859            |
|   | <u>£(1,673,587)</u> | <u>£ 522,827</u>   |
| Movement in net liquid funds:                             |                     |                    |
| Cash at bank and in hand                                  | (89,480)            | 45,259             |
|   | <u>£(1,763,067)</u> | <u>£ 568,086</u>   |

The accompanying notes form an integral part of these accounts.

## VITA INTERNATIONAL LIMITED

### ACCOUNTING POLICIES

The principal accounting policies are set out below, all of which have been applied consistently throughout the year and with the preceding year, with the exception of the policy relating to dividend income as explained in note 4 below.

#### 1. BASIS OF ACCOUNTS

The accounts are 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

Transactions denominated in foreign currencies are recorded in sterling at exchange rates as of the date of the transaction or in related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end or at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

#### 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.

#### 4. DIVIDEND INCOME

Dividends from overseas companies comprise all dividends received in respect of the year ended 31 December 1987. This represents a change in accounting policy from the prior year.

#### 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 1987

### 1. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging auditors' remuneration of £10,000 (1986 - £4,000). No directors' emoluments were paid during the year (1986 - £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>1987</u> | <u>1986</u> |
|---|-------------|-------------|
| UK corporation tax at 35% (1986 - 36.25%)               | £ 478,000   | £1,237,000  |
| Overseas taxation                                       | 56,606      | 136,848     |
|   | <hr/>       | <hr/>       |
|   | £ 534,606   | £1,373,848  |
| Less - relief for overseas taxation                     | (474,000)   | (1,232,000) |
|   | <hr/>       | <hr/>       |
|   | £ 60,606    | £ 141,848   |
| Adjustment of current taxation in respect of prior year | 1,296       | -           |
|   | <hr/>       | <hr/>       |
|   | £ 61,902    | £ 141,848   |
|   | <hr/>       | <hr/>       |

### 3. EXTRAORDINARY ITEMS

|  | <u>1987</u> | <u>1986</u> |
|--|-------------|-------------|
| Profit arising on partial disposal of investment in Vitafoam Indonesia | £ 104,722   | £ -         |
| Dividend received previously written-off                               | 3,089       | 13,760      |
| Loss on realisation of investment in Zambia                            | (75,895)    | (5,396)     |
| Loss arising on the receivership of Vitafoam Trinidad                  | -           | (429,472)   |
|  | <hr/>       | <hr/>       |
|  | £ 31,916    | £ (421,108) |
| Taxation at 35%  | (25,000)    | -           |
|  | <hr/>       | <hr/>       |
|  | £ 6,916     | £ (421,108) |
|  | <hr/>       | <hr/>       |

#### 4. DIVIDENDS PAID:

|                     | <u>1987</u>      | <u>1986</u>       |
|---------------------|------------------|-------------------|
| Preference dividend | £ 3,447          | £ 3,447           |
| Ordinary dividend   | 500,000          | 1,316,000         |
|                     | <u>£ 503,447</u> | <u>£1,319,447</u> |

#### 5. INVESTMENTS

##### a) Investments comprise -

|  | <u>Subsidiary<br/>companies</u> | <u>Associated companies</u> |                   |                    |
|--|---------------------------------|-----------------------------|-------------------|--------------------|
|  |                                 | <u>Listed</u>               | <u>Unlisted</u>   | <u>Total</u>       |
| SHARES AT COST   |                                 |                             |                   |                    |
| Beginning of year  | £ 753,634                       | £ 20,000                    | £ 960,496         | £ 1,734,130        |
| Additions  | 4,292                           | -                           | -                 | 4,292              |
| Disposals  | -                               | -                           | (42,133)          | (42,133)           |
| End of year  | <u>£ 757,926</u>                | <u>£ 20,000</u>             | <u>£ 918,363</u>  | <u>£ 1,696,289</u> |
| CAPITALISED RESERVES   |                                 |                             |                   |                    |
| Beginning and end<br>of year   | <u>£ 16,725</u>                 | <u>£ -</u>                  | <u>£ -</u>        | <u>£ 16,725</u>    |
| LOANS  |                                 |                             |                   |                    |
| Beginning of year  | £ -                             | £ -                         | £ 35,273          | £ 35,273           |
| Transfer to debtors  | -                               | -                           | (35,273)          | (35,273)           |
| End of year  | <u>£ -</u>                      | <u>£ -</u>                  | <u>£ -</u>        | <u>£ -</u>         |
| NET BOOK VALUE   |                                 |                             |                   |                    |
| End of year  | <u>£ 774,651</u>                | <u>£ 20,000</u>             | <u>£ 918,363</u>  | <u>£ 1,713,014</u> |
| Market value of listed<br>companies and<br>directors' valuation of<br>unlisted companies |                                 |                             |                   |                    |
|  |                                 | <u>£2,564,000</u>           | <u>£9,100,000</u> | <u>£11,664,000</u> |

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    |
| ASSOCIATED COMPANIES       |                         |                                 |                           |
| Taki-Vita SAE              | 40%                     | Egypt                           | Cellular foam products    |
| PT Vitafoam Indonesia      | 20%                     | Indonesia                       | Cellular foam products    |
| Vitafoam Nigeria Limited   | 20%                     | Nigeria                         | Cellular foam products    |

6. DEBTORS

|  | <u>1987</u>      | <u>1986</u>       |
|--|------------------|-------------------|
| Amounts falling due within one year -        |                  |                   |
| Amounts owed by group companies              | £ 417,872        | £1,935,782        |
| Amounts owed by related companies            | 101,960          | 25,240            |
| Other debtors                                | 20,615           | 428,836           |
| VAT  | 1,351            | -                 |
| Prepayments                                  | -                | 1,640             |
|  | <u>£ 541,798</u> | <u>£2,391,498</u> |
| Amounts falling due after more than one year |                  |                   |
| Amounts owed by associated companies         | -                | 221,740           |
|  | <u>£ 541,798</u> | <u>£2,613,238</u> |

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                   | <u>1987</u>      | <u>1986</u>      |
|-----------------------------------|------------------|------------------|
| Amounts owed to group companies   | £ 56,922         | £ 572,600        |
| Amounts owed to related companies | 11,223           | 5,768            |
| U.K. corporation tax payable      | 29,000           | -                |
| Other creditors                   | 3,856            | 22,517           |
| Accruals                          | 120,400          | 24,642           |
|                                   | <u>£ 221,401</u> | <u>£ 625,527</u> |

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

|                                 | <u>1987</u>       | <u>1986</u>       |
|---------------------------------|-------------------|-------------------|
| Amounts owed to group companies | <u>£1,222,190</u> | <u>£3,128,431</u> |

9. CALLED-UP SHARE CAPITAL

|  | <u>Authorised</u> | <u>Issued and<br/>fully-paid</u> |
|--|-------------------|----------------------------------|
| 6% cumulative preference shares of £1 each               | £ 60,000          | £ 57,450                         |
| 6% redeemable cumulative preference shares<br>of £1 each | 100,000           | 33,104                           |
| Ordinary shares of £1 each                               | 640,000           | 623,013                          |
|  | <u>£ 800,000</u>  | <u>£ 713,567</u>                 |

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.

10. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company has guaranteed the indebtedness of its holding company and a fellow-subsiidiary company, British Vita Investments Limited, to National Westminster Bank PLC.

11. HOLDING COMPANY

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