

Vita International Limited
Annual report
for the year ended 31 December 2006

Registered Number 472253

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Vita International Limited
Annual report
for the year ended 31 December 2006

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Vita International Limited

Directors and Advisors for the year ended 31 December 2006

Directors

Mr J Oliver
Mr N Burley
Mr G Maundrell

Secretary

Vita Services Limited

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

Oldham Road
Middleton
Manchester
M24 2DB

Registered Number

472253

Vita International Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

Business Review and Principal Activity

The principal activity of the Company during the year continued to be that of immediate parent of the overseas investments of British Vita Group. Principal investments are detailed in note 4 to the accounts.

Results for the year ended 31 December 2006 were in line with expectations. The profit for the year after taxation and exceptional items was £9,735,903 (2005 £91,416,256) and income was £10,937,829 (2005 £11,793,127).

At the year end the Company had net assets of £255,114,417 (2005 £245,378,514).

Environment

The Group, of which the Company is a member, recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The Company operates in accordance with Group policies.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The Group, of which the Company is a member, through its central treasury activities seeks to reduce financial risk, ensure sufficient liquidity and manage surplus cash. The treasury department operates within parameters approved and monitored by the Group Board and restricts transactions to banks that have a defined minimum credit rating.

The treasury department does not take speculative financial positions and makes limited use of derivative financial instruments. The treasury department advises operational management on all financial risks and executes all major transactions in financial instruments. In the UK, the treasury department arranges all forward exchange contracts to hedge transactional exposures and ensures exposures are fully hedged as they arise and, where appropriate, hedges future exposures up to six months forward. In addition, the department manages borrowings centrally. At the year end the Company had no forward exchange contracts in place.

The Company seeks to reduce credit risk through the use of credit insurance and pro-active credit control procedures.

Key Performance Indicators ("KPIs")

The Group, of which the Company is a member, is managed on a divisional basis. As such the Company produces monthly reporting packs containing its financial results and these are consolidated into the total numbers for its division and these are submitted to Group for review. The Key Performance Indicators on which the Group focuses are:

- EBITDA
- Working Capital
- Total Cash Flow

The Group has confirmed through its reviews that the KPIs have been running at a level consistent with expectations and have satisfied the underlying banking covenants.

Dividends

The directors do not propose a dividend in respect of the year ended 31 December 2006 (2005 £nil).

Vita International Limited

Directors' report (continued)

Directors and their interests

The directors who held office during the year are given below

Mr H E Harris	(Resigned 1 November 2006)
Mr J Oliver	(Appointed 10 November 2006)
Mr S R W Francis	(Resigned 2 July 2007)
Mr N Burley	(Appointed 6 July 2007)
Mr G Maundrell	(Appointed 4 May 2007)

The directors have no interests in the shares of the Group companies that are required to be disclosed in this report

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Statement of disclosure to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board



Vita Services Limited
10 October 2007

Vita International Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITA INTERNATIONAL LIMITED

We have audited the financial statements of Vita International Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

10 October 2007

Vita International Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Dividend income		10,937,829	11,793,127
Administrative costs		(746,092)	(2,582,418)
Operating profit	1	10,191,737	9,210,709
Profit from transfer of fixed asset investments	2	-	80,888,819
Interest payable – to Group companies		(446,644)	-
Interest receivable		-	1,161,057
Profit on ordinary activities before taxation		9,745,093	91,260,585
Tax on profit on ordinary activities	3	(9,190)	155,671
Retained profit for the financial year	9	9,735,903	91,416,256

Operating profit is generated from continuing operations

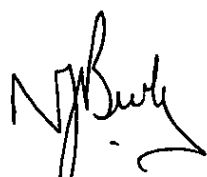
The Company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented

Vita International Limited

Balance sheet as at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	4	239,876,616	241,507,723
Current assets			
Debtors (including £58,446,507 (2005 £92,675,462) due after one year)	5	101,462,343	136,159,890
Cash at bank and in hand		15,042	3,639
		101,477,385	136,163,529
Creditors: amounts falling due within one year	6	(15,830,986)	(9,991,577)
Net current assets		85,646,399	126,171,952
Total assets less current liabilities		325,523,015	367,679,675
Creditors: amounts falling due after more than one year	7	(70,408,598)	(122,301,161)
Net assets		255,114,417	245,378,514
Capital and reserves			
Called up share capital	8	785,385	785,385
Share premium account	9	97,932,698	97,932,698
Capital redemption reserve	9	12,025	12,025
Profit and loss account	9	156,384,309	146,648,406
Shareholder's funds	10	255,114,417	245,378,514

The financial statements on pages 5 to 12 were approved by the board of directors on 10 October 2007 and were signed on its behalf by



Mr N Burley
Director
10 October 2007

Vita International Limited

Accounting policies

The financial statements have been prepared in accordance with the Companies Act and applicable Accounting Standards in the United Kingdom. The principal accounting policies have been applied consistently in the current year and the prior year. A summary of the policies is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

As permitted by Section 228 of the Companies Act 1985, the Company has not presented consolidated accounts.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment, as adjusted for pre-acquisition dividends received.

Where circumstances indicate that there may have been an impairment of the carrying value, an impairment review is carried out using cash flows calculated from budgets and projections which are discounted at the Group's risk-adjusted weighted average cost of capital calculated from equity market data and borrowing rates.

Dividend income

Dividend income is accounted for on a received basis.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end (or, where appropriate, 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.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Cash flow statement

The Company is a wholly owned subsidiary of British Vita Group S à r l, which produces consolidated financial statements that are publicly available. Consequently, the Company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement.

Vita International Limited

Notes to the financial statements

for the year ended 31 December 2006

1 Operating profit

No directors' emoluments were paid during this or the previous year. The Company has no employees. Auditors' remuneration for audit services was £10,000 (2005: £10,500).

2 Exceptional item

	2006 £	2005 £
Proceeds from the transfer of fixed asset investments	-	100,138,917
Cost of investments transferred	-	(19,250,098)
Profit on transfer of investments	-	80,888,819

The profit in 2005 was on the transfer of the investment in Vita Polymers Europe BV to Spring (Netherlands) BV. This transaction was free from tax as it was covered by the substantial shareholding legislation.

3 Taxation

	2006 £	2005 £
Current tax		
United Kingdom corporation tax at 30% (2005: 30%)	-	(155,671)
Adjustments in respect of previous years	9,190	-
Tax on profit on ordinary activities	9,190	(155,671)

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK (30%). The differences are explained as follows:

	2006 £	2005 £
Profit on ordinary activities before taxation	9,745,093	91,260,585
Tax on profit on ordinary activities at standard UK Corporation Tax rate of 30% (2005: 30%)	2,923,528	27,636,051
Net income not subject to tax	(3,099,734)	(3,537,938)
Gains on disposals not taxable	-	(24,266,646)
Net expenses not deductible for tax purposes	42,212	12,862
Adjustments in respect of previous years	9,190	-
Tax losses not utilised	133,994	-
	9,190	(155,671)

Vita International Limited

Notes to the financial statements (continued) for the year ended 31 December 2006

4 Fixed asset investments

Cost and net book value	Subsidiary undertakings £	Associated undertakings £	Total £
At 1 January 2006	238,706,990	2,800,733	241,507,723
Exchange rate adjustment	(1,314,276)	-	(1,314,276)
Repayment of preference shares	(316,831)	-	(316,831)
At 31 December 2006	237,075,883	2,800,733	239,876,616

During the year one of the Company's subsidiaries, Vitafoam Products Canada Limited, repaid preference shares thus reducing the Company's cost of investment

The principal investments are as follows (* indicates held indirectly)

Subsidiary undertakings	Country of incorporation and operation	% shares held by Company	Principal activity
Australia Vita Pty Limited	Australia	100%	Parent Company
British Vita (Germany) GmbH	Germany	100%	Parent Company
Metzeler Schaum GmbH	Germany	*94.9%	Cellular foam products
Metzeler Plastics GmbH	Germany	*94.9%	Thermoplastic sheet
Libeltex BVBA	Belgium	100%	Nonwoven products
UAB Vita Baltic International	Lithuania	100%	Cellular foam products
Vita Thermoplastic Denmark A/S	Denmark	100%	Thermoplastic sheet
Vita Investments North America Limited	England	100%	Parent Company
Vita Polymers Poland Sp. z o.o.	Poland	100%	Cellular foam products
Vitafoam Products Canada Limited	Canada	100%	Cellular foam products
Vita Thermoplastic Compounds (Malaysia) SDN BHD	Malaysia	100%	Thermoplastic compounds
VTC Elastoteknik AB	Sweden	100%	Thermoplastic compounds
Royalite Plastics srl	Italy	94%	Polymeric products
Vitafoam Inc	USA	*100%	Cellular foam products
Pathway Polymers Inc (formerly Vita Industrials US Inc)	USA	*100%	Cellular foam products
Crest Foam Industries Inc	USA	*80%	Cellular foam products
Associated undertakings			
Vita Cortex (Holdings) Limited	Eire	50%	Cellular foam products

Vita International Limited

Notes to the financial statements (continued) for the year ended 31 December 2006

5 Debtors

	2006 £	2005 £
Amounts owed by group undertakings (including £58,446,507 (2005 £92,675,462) due after one year)	101,426,906	135,570,153
Amounts owed by associates	20,000	-
Other debtors	15,437	-
Prepayments and accrued income	-	589,737
	101,462,343	136,159,890

6 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	13,620,161	9,148,037
Trade creditors	34,871	-
Corporation tax	852,730	843,540
Accruals and deferred income	1,323,224	-
	15,830,986	9,991,577

Vita International Limited

Notes to the financial statements (continued) for the year ended 31 December 2006

7 Creditors: amounts falling due after one year

	2006 £	2005 £
Amounts owed to group undertakings	70,318,044	122,210,607
6% Redeemable cumulative preference shares	33,104	33,104
6% Cumulative preference shares	57,450	57,450
	70,408,598	122,301,161

The 33,104 6% redeemable cumulative preference shares of £1 each, which were due to be redeemed by 1970, are owned by the parent Company, British Vita Unlimited, no further redemption of these shares is contemplated

The 57,450 6% redeemable cumulative preference shares of £1 each and the 6% cumulative preference shares comprise non-equity interests. These shares are also non-voting. The dividend in respect of the shares has been waived.

8 Called up share capital

	2006 £	2005 £
Authorised		
790,000 ordinary shares of £1 each	790,000	790,000
Allotted, called up and fully paid		
785,385 ordinary shares of £1 each	785,385	785,385

Vita International Limited

Notes to the financial statements (continued) for the year ended 31 December 2006

9 Reserves

	Share premium account	Capital redemption reserve	Profit and loss account
	£	£	£
At 1 January 2006	97,932,698	12,025	146,648,406
Profit for the year	-	-	9,735,903
At 31 December 2006	97,932,698	12,025	156,384,309

10 Reconciliation of movements in shareholder's funds

	2006 £	2005 £
Profit for the financial year	9,735,903	91,416,256
Reclassification of preference shares	-	(90,554)
Net addition to shareholder's funds	9,735,903	91,325,702
Opening shareholder's funds	245,378,514	154,052,812
Closing shareholder's funds	255,114,417	245,378,514

11 Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exception under FRS8 not to disclose intra-group transactions. There have been no other related party transactions.

12 Ultimate parent undertaking

The ultimate parent company is British Vita Group S à r l, a company incorporated in Luxembourg. Copies of the British Vita Group S à r l financial statements may be obtained from the registered office of the company in Luxembourg.

The ultimate controlling parent is TPG Partners IV, LP, a partnership incorporated in the USA.