

Vita International Limited

Annual report

for the year ended 31 December 2007

Registered Number 472253



Vita International Limited  
Annual report  
for the year ended 31 December 2007

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# **Vita International Limited**

## **Directors and Advisors for the year ended 31 December 2007**

### **Directors**

Mr J Oliver  
Mr N J Burley  
Mr G L Maundrell  
Mr J H Menendez

### **Secretary**

Vita Services Limited

### **Auditors**

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

### **Registered Office**

45 Pall Mall  
London  
SW1Y 5JG

### **Registered Number**

472253

# **Vita International Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

### **Business Review and Principal Activity**

The principal activity of the Company during the year continued to be that of immediate parent of overseas investments of The Vita Group. Principal investments are detailed in note 3 to the accounts.

Results for the year ended 31 December 2007 were in line with expectations. The profit for the year after taxation and exceptional items was £61,533,681 (2006 £9,735,903) and income was £20,987,165 (2006 £10,937,829). At the year end the Company had net assets of £316,648,098 (2006 £255,114,417).

During the year the Company restructured its investments in respect of subsidiary holdings in the Central and Eastern European and Far East/Australasia areas. This was achieved through transfers of certain subsidiaries of the Company to other subsidiary undertakings of the Company. This restructuring generated an exceptional profit of £42,259,191.

The Company also sold its associated undertaking Vita Cortex Limited, on 19 November 2007 generating an exceptional profit of £789,458.

### **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.

# **Vita International Limited**

## **Directors' report (continued)**

### **Dividends**

The directors do not propose a dividend in respect of the year ended 31 December 2007 (2006 £nil)

### **Directors and their interests**

The directors who held office during the year are given below

Mr J Oliver

Mr J H Menendez (Appointed 14 January 2008)

Mr N J Burley

Mr G L Maundrell

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

### **Employees**

The employees of the Vita Group have long been regarded as one of its most important assets. The Vita Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

The group is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the group encourages the involvement of employees by means of enhanced communication methods – interactive intranet, team working, continuous improvement meetings.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK 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 company will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

# **Vita International Limited**

## **Directors' report (continued)**

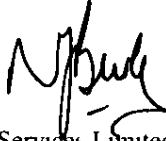
### **Statement of disclosure to auditors**

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  
2 May 2008

# 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 2007 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 2007 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

2 May 2008

# Vita International Limited

## Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Dividend income</b>		<b>20,987,165</b>	<b>10,937,829</b>
Administrative costs before exceptional items		(11,796)	(746 092)
Exceptional items – Impairment of investments	3	(1,792,701)	-
Administrative costs		(1,804,497)	(746 092)
<b>Operating profit</b>	1	<b>19,182,668</b>	<b>10,191,737</b>
Profits on restructuring of subsidiaries	4	42,259,191	-
Profit on disposal of associate	5	789,458	-
Interest payable – to Group companies		-	(446,644)
Interest receivable		63,297	-
<b>Profit on ordinary activities before taxation</b>		<b>62,294,614</b>	<b>9,745 093</b>
Tax on profit on ordinary activities	2	(760,933)	(9 190)
<b>Profit for the financial year</b>	10	<b>61,533,681</b>	<b>9,735,903</b>

All results are generated from continuing operations

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



# Vita International Limited

## Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	234,648,471	239,876,616
<b>Current assets</b>			
Debtors (including £154,793,322 (2006: £58,446,507) due after one year)	6	158,400,881	101,462,343
Cash at bank and in hand		4,808	15,042
		158,405,689	101,477,385
<b>Creditors: amounts falling due within one year</b>	7	(831,389)	(15,830,986)
<b>Net current assets</b>		157,574,300	85,646,399
<b>Total assets less current liabilities</b>		392,222,771	325,523,015
<b>Creditors: amounts falling due after more than one year</b>	8	(75,574,673)	(70,408,598)
<b>Net assets</b>		316,648,098	255,114,417
<b>Capital and reserves</b>			
Called up share capital	9	785,385	785,385
Share premium account	10	97,932,698	97,932,698
Capital redemption reserve	10	12,025	12,025
Profit and loss account	10	217,917,990	156,384,309
<b>Shareholder's funds</b>	11	316,648,098	255,114,417

The financial statements on pages 6 to 13 were approved by the board of directors on 2 May 2008 and were signed on its behalf by



Mr N J Burley  
Director  
2 May 2008

# **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. The company is a wholly-owned subsidiary of British Vita Unlimited and is included in the consolidated financial statements of British Vita Group S à r l, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

### **Investments**

Investments are valued at cost. Provision is made for any impairment.

### **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 2007

### 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 £3,000 (2006: £10,000).

### 2 Taxation

	2007 £	2006 £
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2006: 30%)	635,779	-
Adjustments in respect of previous years	23,334	9,190
<b>Total current tax</b>	<b>659,113</b>	<b>9,190</b>
Withholding tax	101,820	-
<b>Tax on profit on ordinary activities</b>	<b>760,933</b>	<b>9,190</b>

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

	2007 £	2006 £
Profit on ordinary activities before taxation	62,294,614	9,745,093
Tax on profit on ordinary activities at standard UK Corporation Tax rate of 30% (2006: 30%)	18,688,384	2,923,528
Net income not subject to tax	(6,355,819)	(3,099,734)
Gains on disposals not taxable	(12,812,775)	-
Net expenses not deductible for tax purposes	537,810	42,212
Adjustments in respect of previous years	23,334	9,190
Higher tax rates on overseas earnings	679,999	-
Tax losses not utilised	-	133,994
	<b>760,933</b>	<b>9,190</b>

Potential deferred tax assets of £2.5m (2006: £2.5m) have not been recognised in respect of losses carried forward, as it is considered the degree of certainty around the future is not sufficient to prudently recognise these assets.

# Vita International Limited

## Notes to the financial statements (continued) for the year ended 31 December 2007

### 3 Fixed asset investments

Cost and net book value	Subsidiary undertakings £	Associated undertakings £	Total £
At 1 January 2007	237 075,883	2 800,733	239,876,616
Additions	30,799,371	-	30,799,371
Disposals	(31,434,082)	(2,800,733)	(34,234,815)
Impairment	(1,792,701)	-	(1,792 701)
<b>At 31 December 2007</b>	<b>234,648,471</b>	<b>-</b>	<b>234,648,471</b>

The additions and disposals of subsidiary undertakings relate solely to the Central and Eastern European and Australasian restructuring detailed in note 4. The impairment related to two subsidiaries that ceased to trade during the year.

The disposal of the associated undertaking related to the sale of Vita Cortex Limited as detailed in note 5.

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

# Vita International Limited

## Notes to the financial statements (continued) for the year ended 31 December 2007

### 4 Profit on restructuring of subsidiaries

During the year the Company restructured its subsidiary undertakings in the Central and Eastern European and Australasian geographic areas. This involved the disposal of certain subsidiaries to other subsidiary undertakings of the Company. This reorganisation gave rise to an exceptional profit of £42,259,191. There was no tax effect due to the Substantial Shareholding exemption. Further details have been omitted as explained in note 12.

### 5 Profit on disposal of associate

On 19 November 2007 the Company sold its associated undertaking, Vita Cortex Limited to Vita Five Five Limited, an unrelated entity for €5.35m. The disposal gave rise to an exceptional profit of £789,458. The tax effect of this transaction was £679,999.

### 6 Debtors

	2007 £	2006 £
Amounts owed by group undertakings (including £154,793,322 (2006: £58,446,507) due after one year)	158,355,148	101,426,906
Amounts owed by associates	-	20,000
Other debtors	-	15,437
Corporation tax	45,733	-
	158,400,881	101,462,343

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

	2007 £	2006 £
Amounts owed to group undertakings	218,772	13,620,161
Trade creditors	-	34,871
Corporation tax	-	852,730
Accruals and deferred income	612,617	1,323,224
	831,389	15,830,986

# Vita International Limited

## Notes to the financial statements (continued) for the year ended 31 December 2007

### 8 Creditors: amounts falling due after one year

	2007 £	2006 £
Amounts owed to group undertakings	75,484,119	70,318,044
6% Redeemable cumulative preference shares	33,104	33 104
6% Cumulative preference shares	57,450	57,450
	75,574,673	70 408,598

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 dividends in respect of both share classes have been waived.

### 9 Called up share capital

	2007 £	2006 £
<b>Authorised</b>		
790,000 ordinary shares of £1 each	790,000	790,000
<b>Allotted, called up and fully paid</b>		
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 2007

### 10 Reserves

	Share premium account	Capital redemption reserve	Profit and loss account
	£	£	£
At 1 January 2007	97,932,698	12,025	156,384,309
Profit for the year	-	-	61,533,681
<b>At 31 December 2007</b>	<b>97,932,698</b>	<b>12,025</b>	<b>217,917,990</b>

### 11 Reconciliation of movements in shareholder's funds

	2007 £	2006 £
Profit for the financial year	61,533,681	9,735,903
Opening shareholder's funds	255,114,417	245,378,514
<b>Closing shareholder's funds</b>	<b>316,648,098</b>	<b>255,114,417</b>

### 12 Related party transactions

The company has taken advantage of the exemption under paragraph 3(C) from the provisions of FRS8 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by the British Vita Group S ar l , whose accounts are publicly available

### 13 Ultimate parent undertaking

The Company's immediate parent undertaking is British Vita Unlimited

The Company's ultimate parent undertaking is British Vita Group S ar l a company incorporated in Luxembourg

British Vita Group S ar l is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2007. The consolidated financial statements of British Vita Group S ar l may be obtained from Goldbell Center, 5 rue Eugene Ruppert, L-1882 Luxembourg

The Company's ultimate controlling party is TPG Partners IV, LP, a partnership incorporated in the USA