

Vita Industrial Polymers Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered Number 900059

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Vita Industrial Polymers Limited
Annual report and financial statements
for the year ended 31 December 2009

Contents

Directors and advisors for the year ended 31 December 2009	1
Directors' report for the year ended 31 December 2009	2
Independent auditors' report to the members of Vita Industrial Polymers Limited	5
Profit and loss account for the year ended 31 December 2009	6
Balance sheet as at 31 December 2009	7
Accounting policies	8
Notes to the financial statements for the year ended 31 December 2009	10

Vita Industrial Polymers Limited

Directors and Advisors for the year ended 31 December 2009

Directors

Mr N J Burley
Mr G L Maundrell
Mr J H Menendez
Mr N B Hay

Secretary

Vita Industrial (UK) Limited

Independent auditors

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

Registered office

45 Pall Mall
London
SW1Y 5JG

Registered number

900059

Vita Industrial Polymers Limited

Directors' report for the year ended 31 December 2009

The directors present this report and the audited financial statements of the Company for the year ended 31 December 2009

Principal activity

The principal activity of the Company during the year continued to be the sale of coated fabrics, adhesives, closed cell foam products and chemical resistant elastomers

Business Review

Results for the year ended 31 December 2009 were in line with expectations, given the restructuring process which continued in the year. The loss for the year after taxation and exceptional items was £669,683 (2008 loss of £1,457,709) and sales were £3,143,975 (2008 £4,116,215). At the year end the Company had net assets of £998,581 (2008 net assets of £331,736).

The Company also incurred £259,105 (2008 £1,601,030) of exceptional operating costs. The 2009 costs were principally related to the closure of the Salford site, the 2008 costs arose principally due to an onerous lease provision for the Company's Salford site and to cover environmental remedial work at the same location.

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.

Competitive pressure, both within the UK and overseas, is a continuing risk for the Company. The Company manages this risk by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries and by maintaining strong relationships with customers.

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.

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

Vita Industrial Polymers Limited

Directors' report for the year ended 31 December 2009 (continued)

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 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 2009 (2008: £nil).

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements are as follows:

Mr J Oliver	(resigned 13 July 2009)
Mr J H Menendez	
Mr G L Maundrell	
Mr N J Burley	
Mr N B Hay	(appointed 1 April 2009)
Mr P Wright	(appointed 16 April 2010)
Mr J Murphy	(appointed 16 April 2010)
Mr I Bragg	(appointed 16 April 2010)

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

Creditor payment policy

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the Company's practice is to

- (a) agree the terms of payment at the start of business with the supplier,
- (b) ensure that those suppliers are made aware of the terms of payment,
- (c) pay in accordance with its contractual and other legal obligations.

The Company's average creditor payment period at 31/12/2009 was 34 days (2008: 54 days).

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 and continuous improvement meetings. The Group also publishes a quarterly magazine, Vita News, which is available to all employees and gives details of current developments in each of the trading divisions.

Vita Industrial Polymers Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



Vita Industrial (UK) Limited
12 May 2010

Vita Industrial Polymers Limited

Independent auditors' report to the members of Vita Industrial Polymers Limited

We have audited the financial statements of Vita Industrial Polymers Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

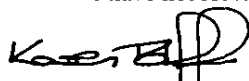
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Karen Bluff (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

12 May 2010

Vita Industrial Polymers Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	1	3,143,975	4,116,215
Cost of sales before exceptional items		(3,236,050)	(3,777,460)
Exceptional items – impairment of fixed assets	2	-	(12,369)
Exceptional items – other	2	-	(1,601,030)
Cost of sales		(3,236,050)	(5,390,859)
Gross loss		(92,075)	(1,274,644)
Distribution costs		(180,167)	(258,110)
Administrative expenses before exceptional items		(178,935)	(306,625)
Exceptional items	2	(259,106)	-
Administrative expenses		(438,041)	(306,625)
Operating loss	2	(710,283)	(1,839,379)
Interest receivable and similar income		40,600	70,768
Loss on ordinary activities before taxation		(669,683)	(1,768,611)
Tax on loss on ordinary activities	4	-	310,902
Loss for the financial year	11	(669,683)	(1,457,709)

All results are generated from continuing operations

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

Vita Industrial Polymers Limited

Balance sheet as at 31 December 2009

	Note	2009 £	2008 £
Current assets			
Stocks	5	182,725	308,264
Debtors	6	3,453,904	2,020,083
Cash at bank and in hand		20	145
		3,636,649	2,328,492
Creditors: amounts falling due within one year	7	(504,767)	(1,280,336)
Net current assets		3,131,882	1,048,156
Total assets less current liabilities		3,131,882	1,048,156
Creditors: amounts falling due after more than one year	8	(1,260,807)	(183,619)
Provisions for liabilities	9	(872,494)	(1,196,273)
Net assets (liabilities)		998,581	(331,736)
Capital and reserves			
Called up share capital	10	2,807,630	807,630
Share premium account	11	512,500	512,500
Profit and loss account	11	(2,321,549)	(1,651,866)
Total shareholder's funds (deficit)	14	998,581	(331,736)

The financial statements on pages 6 to 17 were approved by the board of directors on 12 May 2010 and were signed on its behalf by



Mr N J Burley
Director
12 May 2010

Vita Industrial Polymers Limited

Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared on a going concern basis 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 (Lux III) 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 400 of the Companies Act 2006.

Research and development

Expenditure is charged against profit in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value; cost includes appropriate production overhead expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

Pension costs

The company contributes to two defined benefit group pension schemes operated by British Vita Unlimited. Pension costs are accounted for as if the schemes were defined contribution schemes, under paragraph 12 of FRS 17, as the company is unable to separately identify its assets and liabilities from the group schemes.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling 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 translated into sterling 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.

Turnover

Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) of goods and services in the normal course of business. Sales are recognised on despatch.

Leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease.

Cash flow statement

The Company is a wholly owned subsidiary of British Vita (Lux III) 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 "Cash flow statements" (Revised 1996) to prepare a cash flow statement.

Vita Industrial Polymers Limited

Accounting policies (continued)

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

The Company is exposed to environmental liabilities relating to its operations. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation.

Exceptional items

Items which are both material and non-recurring in nature are presented as exceptional items so as to provide a better indication of the company's underlying business performance and are shown separately on the face of the profit and loss account.

Vita Industrial Polymers Limited

Notes to the financial statements for the year ended 31 December 2009

1 Turnover

The geographical analysis of turnover by destination is as follows

	2009 £	2008 £
Continental Europe	68,531	466,368
United Kingdom	2,802,584	3,550,009
Rest of World	272,860	99,838
	3,143,975	4,116,215

2 Operating loss

Operating loss is stated after charging	2009 £	2008 £
Depreciation of tangible fixed assets		
- owned assets	-	681
Exceptional impairment of fixed assets	-	12,369
Exceptional costs - other	259,105	261,155
Exceptional costs – onerous lease provision	-	1,063,915
Exceptional costs – environmental remedial costs	-	275,960
Operating leases		
- plant and machinery	33,179	18,018
- property	-	258,000
Auditors' remuneration for audit services	7,000	8,063

During 2009 the Company incurred exceptional costs as a result of the closure of the Salford site

During 2008 the Company incurred significant exceptional costs principally due to the creation of an onerous lease on its Salford premises and a provision for environmental remedial works required to be carried out on those premises

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

3 Directors and employees

Staff costs, including directors' remuneration, were as follows

	2009 £	2008 £
Wages and salaries	440,655	547,343
Social security costs	42,794	49,169
Other pensions costs (see note 15)	76,345	65,508
	559,794	662,020

The average monthly number of persons, including directors, during the year was

	2009 Number	2008 Number
By activity		
Selling and distribution	2	2
Administration	-	3
Production	17	17
	19	22

No director received any emoluments for services as a director in either year

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

4 Taxation

	2009 £	2008 £
Current tax		
United Kingdom corporation tax at 28% (2008 28.5%)	-	-
Adjustment in respect of previous years	-	(310,902)
Tax on loss on ordinary activities	-	(310,902)

The tax assessed for the year is different to the standard rate of Corporation Tax in the UK. The differences are explained as follows:

	2009 £	2008 £
Loss on ordinary activities before taxation	(669,683)	(1,768,611)
Tax on loss on ordinary activities at standard UK Corporation tax rate of 28% (2008 28.5%)	(187,511)	(504,054)
Net expenses not deductible for tax purposes	(2,396)	171
Capital allowances less than depreciation	-	2,158
Adjustments in respect of previous years	-	(310,902)
Tax losses not utilised	189,907	501,725
Current tax credit for the year	-	(310,902)

Potential deferred tax assets of £0.9m (2008 £0.8m) have not been recognised in respect of losses carried forward and fixed asset timing differences, as it is considered the degree of certainty around the future is not sufficient to prudently recognise these assets.

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

5 Stocks

	2009 £	2008 £
Raw materials and consumables	91,188	157,211
Work in progress	195	26,088
Finished goods and goods for resale	91,342	124,965
	182,725	308,264

There is no material difference between the balance sheet value of stocks and their replacement cost

6 Debtors

	2009 £	2008 £
Trade debtors	409,015	812,834
Amounts owed by group undertakings	3,002,849	1,151,456
Other debtors	-	-
Prepayments and accrued income	42,040	55,793
	3,453,904	2,020,083

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

7 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank overdraft	648	476,528
Trade creditors	346,261	631,159
Amounts owed to group undertakings	-	2,079
Other taxation and social security	12,132	26,332
Accruals and deferred income	145,726	144,238
	504,767	1,280,336

8 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Amounts owed to group undertakings	1,260,807	183,619

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

9 Provisions for liabilities

	Environmental remedial work	Onerous leases	Total
	£	£	£
At 1 January 2009	275,960	920,313	1,196,273
Utilised in the year	-	(323,779)	(323,779)
At 31 December 2009	275,960	596,534	872,494

During 2008 the Company created two provisions in respect of an onerous lease on its Salford premises and environmental remedial works required to be carried out on those premises. The provision is expected to be fully utilised within the next two years.

10 Called up share capital

	2009 £	2008 £
Authorised		
2,807,630 ordinary shares of £1 each	2,807,630	807,630
Allotted, called up and fully paid		
2,807,630 ordinary shares of £1 each	2,807,630	807,630

On 21 May 2009 the Company issued 2,000,000 shares of £1 each to its parent, British Vita Unlimited. The Company advanced £2,000,000 on the inter-company loan account to BVU.

11 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2009	512,500	(1,651,866)
Loss for the year	-	(669,683)
At 31 December 2009	512,500	(2,321,549)

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

12 Contingent liabilities

The Company has given guarantees to its bankers in respect of advances to certain group undertakings. The directors are of the opinion that no liability is likely to arise.

13 Operating lease commitments

The Company has annual commitments in respect of operating leases expiring as shown:

	Property		Plant and machinery	
	2009 £	2008 £	2009 £	2008 £
Within one year	-	-	87	15,420
Between two and five years	-	-	1,593	1,596
After five years	354,535	258,000	-	-
	354,535	258,000	1,680	17,016

14 Reconciliation of movements in shareholders' funds (deficit)

	2009 £	2008 £
Loss for the financial year	(669,683)	(1,457,709)
New shares issued	2,000,000	-
Net addition to (reduction in) shareholder's funds	1,330,317	(1,457,709)
Opening shareholder's (deficit) funds	(331,736)	1,125,973
Closing shareholder's funds (deficit)	998,581	(331,736)

Vita Industrial Polymers Limited

Notes to the financial statements (continued) for the year ended 31 December 2009

15 Pensions arrangements

FRS 17

The Group operates two defined benefit schemes. However, contributions paid by the Company are accounted for as if the schemes were defined contribution schemes, under paragraph 12 of FRS 17, as the Company is unable to identify its share of the underlying assets and liabilities in the schemes. The schemes at 31 December 2009 had a surplus of £20.0m (2008: £17.5m).

The pension charge for the year was £76,345 (2008: £65,508).

16 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 throughout the year it was a wholly owned subsidiary of a group headed by the British Vita (Lux III) S à r l, whose accounts are publicly available.

17 Ultimate parent undertaking controlling party

The Company's immediate parent undertaking is British Vita Unlimited.

British Vita (Lux III) S à r l is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2009. The consolidated financial statements may be obtained from 5, Rue Guillaume Kroll, L-1882, Luxembourg.

In the opinion of the directors, the Company's ultimate controlling party is TPG Partners IV-AIV, LP, a partnership located in the Cayman Islands. With effect from 23 April 2009, the ultimate parent company became Vita Cayman Limited.