

Vita Thermoplastic Compounds Limited
Annual report
for the year ended 31 December 2007

Registered Number 1018237



Vita Thermoplastic Compounds Limited

Annual report

for the year ended 31 December 2007

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Vita Thermoplastic Compounds Limited

Directors and Advisors for the year ended 31 December 2007

Directors

Mr J Oliver

Mr N J Burley

Mr G L Maundrell

Mr N B Hay

Mr J H Menendez

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

1018237

Vita Thermoplastic Compounds 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 the compounding of PVC, engineering and thermoplastic polymers

Results for the year ended 31 December 2007 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 £938,117 (2006 £4,563,659) and sales were £76,805,116 (2006 £73,371,532)

At the year end the Company had net assets of £4,104,116 (2006 net liabilities of £9,721,281)

During the year the Company incurred £1,569,220 (2006 £1,785,065) of exceptional operating costs. These arose principally due to the creation of a provision to cover environmental remedial work at the Company's various operational locations. The 2006 costs comprised an impairment to plant and machinery and other costs associated with the closure of the Company's Doeflex – Vitapol business based in Stakehill.

The Company issued a further 14,763,514 ordinary shares of £1 each to its parent, British Vita Unlimited, during the year.

Whilst the external commercial environment for the manufacturing sector is expected to remain competitive in 2008, we expect the future performance of the Company to remain in line with current levels.

Research and Development

The Company continues to invest in Research and Development as it is considered necessary for its continuing success in the medium to long term future.

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 (2006 a number of) forward exchange contracts in place with another Group company in both Euros and US Dollars. The total Fair Value of these contracts was a liability of £nil as at 31 December 2007 (2006 £23,515).

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

Vita Thermoplastic Compounds Limited

Directors' report (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 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 2007 (2006: £nil).

Directors and their interests

The directors are as follows:

Mr J Oliver	
Mr S R W Francis	(Resigned 2 July 2007)
Mr J H Menendez	(Appointed 14 January 2008)
Mr G L Maundrell	(Appointed 4 May 2007)
Mr N J Burley	(Appointed 6 July 2007)
Mr N B Hay	(Appointed 29 August 2007)

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

Charitable contributions

Charitable contributions amounting to £900 (2006: £606) were made by the Company during the year.

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 31/12/2007 was 69 days (2006: 74 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 Thermoplastic Compounds Limited

Directors' report (continued)

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.

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
19 March 2008

Vita Thermoplastic Compounds Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITA THERMOPLASTIC COMPOUNDS LIMITED

We have audited the financial statements of Vita Thermoplastic Compounds 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 loss 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
19 March 2008

Vita Thermoplastic Compounds Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	1	76,805,116	73,371,532
Cost of sales before exceptional items		(67,704,146)	(66,258,405)
Exceptional items - impairment of plant and machinery	2	-	(203,548)
Exceptional items - others	2	(1,569,220)	(1,581,517)
Cost of sales		(69,273,366)	(68,043,470)
Gross profit		7,531,750	5,328,062
Distribution costs		(5,352,144)	(3,811,996)
Administrative expenses		(3,320,072)	(4,037,665)
Operating loss	2	(1,140,466)	(2,521,599)
Interest receivable		20,660	99,608
Interest payable and similar charges	3	(40,292)	(267,022)
Loss on ordinary activities before taxation		(1,160,098)	(2,689,013)
Tax on loss on ordinary activities	5	221,981	(1,874,646)
Loss for the financial year	14	(938,117)	(4,563,659)

All results are generated from continuing operations

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

Vita Thermoplastic Compounds Limited

Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Intangible fixed assets	6	38,578	130,223
Tangible assets	7	3,541,266	3,773,546
		3,579,844	3,903,769
Current assets			
Stocks	8	6,314,129	6,765,499
Debtors (including £15,619,864 (2006 £552,000) due after one year)	9	31,241,436	17,164,349
Deferred tax asset	12	-	538
Cash at bank and in hand		3,163,110	2,236,939
		40,718,675	26,167,325
Creditors: amounts falling due within one year	10	(17,204,552)	(17,930,924)
Net current assets		23,514,123	8,236,401
Total assets less current liabilities		27,093,967	12,140,170
Creditors: amounts falling due after more than one year	11	(20,718,538)	(20,622,975)
Provision for liabilities and charges	12	(2,271,313)	(1,238,476)
Net assets (liabilities)		4,104,116	(9,721,281)
Capital and reserves			
Called up share capital	13	15,363,514	600,000
Profit and loss account	14	(11,259,398)	(10,321,281)
Shareholder's funds (deficit)	18	4,104,116	(9,721,281)

The financial statements on pages 6 to 20 were approved by the board of directors on 19 March 2008 and were signed on its behalf by



Mr G L Maundrell
Director
19 March 2008

Vita Thermoplastic Compounds Limited

Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 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 under the historical cost convention.

Intangible assets

Patents and trademarks are included at cost and depreciated in equal instalments over their estimated useful economic life up to a maximum of 20 years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are shown at cost, net of depreciation and any provision for impairment. Any related government grants are reported as deferred income and amortised over the expected useful life of the asset concerned. The balance of unamortised grants is disclosed as deferred income if material.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its useful life as follows:

	%
Plant and machinery	10 - 25
Motor vehicles	16 - 25

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 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.

Vita Thermoplastic Compounds Limited

Accounting policies (continued)

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

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital payments outstanding. Hire purchase transactions are dealt with similarly, except the assets are depreciated over their useful lives.

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

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 Thermoplastic Compounds Limited

Notes to the financial statements for the year ended 31 December 2007

1 Turnover

The geographical analysis of turnover by destination is as follows

	2007 £	2006 £
Continental Europe	14,082,779	13,623,671
United Kingdom	58,052,284	57,019,176
Rest of World	4,670,053	2,728,685
	76,805,116	73,371,532

2 Operating loss

Operating loss is stated after charging / (crediting)	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned assets	671,881	1,254,372
- held under finance lease	69,647	-
- impairment	-	203,548
Amortisation of intangible assets	91,645	91,804
Profit on disposal of fixed assets	(71,316)	(8,992)
Exceptional costs	1,569,220	1,581,517
Operating leases		
- property	958,216	1,041,856
- plant and machinery	270,450	264,722
Auditors' remuneration for audit services	30,900	30,000

The exceptional costs relate principally to the creation of a provision for costs in relation to environmental remedial work at the Company's various operating locations. In 2006 the exceptional costs were in respect of the closure of the Company's Doeflex - Vitapol business.

Vita Thermoplastic Compounds Limited

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

3 Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	733	-
Finance lease interest	39,559	-
Group undertakings	-	267,022
	40,292	267,022

4 Directors and employees

Staff costs, including directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	8,634,839	8,596,976
Social security costs	861,392	853,554
Other pensions costs (see note 19)	764,582	783,135
	10,260,813	10,233,665

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

	2007 Number	2006 Number
By activity		
Administration	40	34
Selling & Distribution	40	43
Production	262	259
	342	336

Directors' remuneration

	2007 £	2006 £
Emoluments		
Aggregate emoluments	78,271	-

Vita Thermoplastic Compounds Limited

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

4 Directors and employees (continued)

The number of directors who were members of pension schemes was as follows

	2007 Number	2006 Number
Defined benefit scheme	2	-

5 Taxation

	2007	2006 £
Current year		
United Kingdom corporation tax at 30% (2006 30%)	(163,202)	-
Adjustment in respect of previous year	(59,317)	1,173,790
Total current tax	(222,519)	1,173,790
Deferred tax		
Origination and reversal of timing differences	-	1,241,000
Adjustment in respect of previous years	538	(540,144)
Total deferred tax	538	700,856
Tax on loss on ordinary activities	(221,981)	1,874,646

Vita Thermoplastic Compounds Limited

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

5 Taxation (continued)

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 £
Loss on ordinary activities before taxation	(1,160,098)	(2,689,013)
Tax on loss on ordinary activities at standard UK Corporation tax rate of 30% (2006 30%)	(348,029)	(806,704)
Net expenses not deductible for tax purposes	9,900	39,763
Enhanced Research & Development expenditure	(12,000)	-
Industrial Buildings Allowance permanent difference	(14,100)	-
Capital allowances less than depreciation	201,027	388,670
Tax losses not utilised	-	378,271
Adjustment in respect of previous years	(59,317)	1,173,790
	(222,519)	1,173,790

Potential deferred tax assets of £2.4m (2006 £2.6m) 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 Thermoplastic Compounds Limited

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

6 Intangible fixed assets

	Patents & trademarks £
Cost	
At 1 January 2007 and 31 December 2007	458,228
Depreciation	
At 1 January 2007	328,005
Charge for the year	91,645
At 31 December 2007	419,650
Net book value	
At 31 December 2007	38,578
At 31 December 2006	130,223

Vita Thermoplastic Compounds Limited

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

7 Tangible fixed assets

	Plant, machinery and motor vehicles £
Cost	
At 1 January 2007	32,809,268
Additions	1,513,162
Disposals	(1,248,237)
Group transfers	(12,488)
At 31 December 2007	33,061,705
Depreciation	
At 1 January 2007	29,035,722
Charge for the year	741,528
Disposals	(244,323)
Group transfers	(12,488)
At 31 December 2007	29,520,439
Net book value	
At 31 December 2007	3,541,266
At 31 December 2006	3,773,546

At 31 December 2007 the net book value of assets held under finance lease was £968,380 (2006 £nil) and the depreciation charge on those assets for the year was £69,647 (2006 £nil)

8 Stocks

	2007 £	2006 £
Raw materials and consumables	3,014,292	3,094,848
Finished goods and goods for resale	3,299,837	3,670,651
	6,314,129	6,765,499

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

Vita Thermoplastic Compounds Limited

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

9 Debtors

	2007 £	2006 £
Trade debtors	13,145,029	14,885,472
Amounts owed by group undertakings (including £15,619,864 (2006 £552,000) due after one year)	16,419,911	1,095,874
Corporation tax	571,093	271,567
Other debtors	455,896	388,542
Prepayments and accrued income	649,507	522,894
	31,241,436	17,164,349

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	319,911	474,073
Amount payable under finance leases	131,681	-
Trade creditors	15,045,443	15,498,802
Amounts owed to group undertakings	353,046	621,396
Other taxation and social security	287,398	191,596
Other creditors	92,751	45,746
Accruals and deferred income	974,322	1,099,311
	17,204,552	17,930,924

Vita Thermoplastic Compounds Limited

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

11 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Amounts owed to group undertakings	19,906,338	20,622,975
Amounts payable under finance leases	812,200	-
	20,718,538	20,622,975

Finance leases are repayable as follows

	2007 £	2006 £
Between one and two years	285,957	-
Between two and five years	492,003	-
After 5 years	34,240	-
	812,200	-
Within one year	131,681	-
	943,881	-

12 Provisions for liabilities and charges

	Rationalisation costs £	Deferred taxation £	Total £
At 1 January 2007	1,238,476	(538)	1,237,938
Created in the year	1,541,706	-	1,541,706
Released in the year	-	538	538
Utilised in the year	(508,869)	-	(508,869)
At 31 December 2007	2,271,313	-	2,271,313

The rationalisation provision brought forward arises on the closure of Doeflex - Vitapol. The provision was increased in relation to environmental remedial work costs at various business locations. The remainder of the provision is expected to be fully utilised within the forthcoming year.

The provision for deferred taxation was in respect of accelerated capital allowances.

Vita Thermoplastic Compounds Limited

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

13 Called up share capital

	2007 £	2006 £
Authorised		
15,363,514 (2006 600,000) ordinary shares of £1 each	15,363,514	600,000
Allotted, called up and fully paid		
15,363,514 (2006 600,000) ordinary shares of £1 each	15,363,514	600,000

On 7 August 2007 the Company passed a resolution to increase its Authorised share capital by the creation of 14,763,514 new ordinary shares of £1 each. It subsequently issued a further 14,763,514 ordinary shares of £1 each to its parent, British Vita Unlimited. The consideration for this issue of shares was the creation of a £14,763,514 intercompany loan due from British Vita Unlimited.

14 Reserves

	Profit and loss account £
At 1 January 2007	(10,321,281)
Loss for the year	(938,117)
At 31 December 2007	(11,259,398)

15 Capital commitments

	2007 £	2006 £
Contracted for but not provided in the financial statements	23,567	-

16 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.

Vita Thermoplastic Compounds Limited

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

17 Operating lease commitments

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

	Property		Plant and machinery	
	2007 £	2006 £	2007 £	2006 £
Within one year	115,000	-	1,724	39,148
Between two and five years	460,000	-	152,206	106,830
After five years	458,860	1,005,565	-	-
	1,033,860	1,005,565	153,930	145,978

18 Reconciliation of movements in shareholder's funds (deficit)

	2007 £	2006 £
Loss for the financial year	(938,117)	(4,563,659)
New shares issued (see note 13)	14,763,514	-
Net addition to (reduction in) shareholder's deficit	13,825,397	(4,563,659)
Opening shareholder's deficit	(9,721,281)	(5,157,622)
Closing shareholder's funds (deficit)	4,104,116	(9,721,281)

19 Pension 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 scheme. The schemes at 31 December 2007 had a surplus of £25.6m (2006: £19.7m).

The pension charge for the year was £764,582 (2006: £783,135).

Vita Thermoplastic Compounds Limited

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

20 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 à r l , whose accounts are publicly available

21 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is British Vita Unlimited

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

British Vita Group S à r 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 à r 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

Vita Thermoplastic Compounds Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITA THERMOPLASTIC COMPOUNDS LIMITED

We have audited the financial statements of Vita Thermoplastic Compounds 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

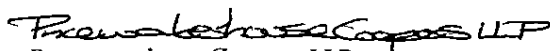
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss 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
19 March 2008