

**British Vita (UK) Limited**  
**Annual report**  
**for the year to 31 December 2006**

**Registered Number 5396870**

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British Vita (UK) Limited  
Annual report  
for the year to 31 December 2006

Contents

Directors and Advisors for the year to 31 December 2006	1
Directors' report for the year to 31 December 2006	2
Independent auditors' report to the members of British Vita (UK) Limited	4
Profit and loss account for the year to 31 December 2006	5
Balance sheet as at 31 December 2006	6
Accounting policies	7
Notes to the financial statements for the year to 31 December 2006	8

# **British Vita (UK) Limited**

## **Directors and Advisors for the year to 31 December 2006**

### **Directors**

Mr J Oliver

Mr S Peel

Mr R Gedeon

### **Secretary**

Vita Services Limited

### **Auditors**

PricewaterhouseCoopers LLP

101 Barbican Square

Lower Mosley Street

Manchester

M2 3PW

### **Registered Office**

Oldham Road

Middleton

Manchester

M24 2DB

### **Registered Number**

5396870

# **British Vita (UK) Limited**

## **Directors' report for the year to 31 December 2006**

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

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

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

Results for the year ended 31 December 2006, pre exceptional items, were in line with expectations. The loss for the year after taxation and exceptional items was €340,493,032 (2005: €35,417,853).

The Company made an exceptional impairment provision against its investment in the year of €278,789,986. In the previous year the Company incurred €1,286,775 of exceptional costs in relation to the Group reorganisation.

### **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.

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).

# **British Vita (UK) 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 S Peel  
Mr R Gedeon

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 to 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.

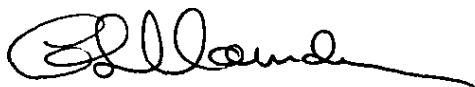
### **Statement of disclosure to auditors**

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

# British Vita (UK) Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH VITA (UK) LIMITED

We have audited the financial statements of British Vita (UK) 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

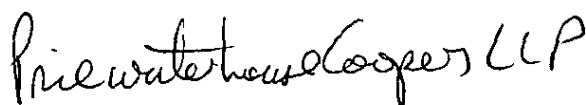
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

*10 October 2007*

## British Vita (UK) Limited

### Profit and loss account for the year to 31 December 2006

	Note	Year ended 31 December 2006 €	17 March to 31 December 2005 €
Administrative expenses		(6,020,166)	(165,096)
Exceptional items – reorganisation costs		-	(1,286,775)
Exceptional items – impairment of investment	4	(278,789,986)	-
Total administrative expenses		(284,810,152)	(1,451,871)
<b>Operating loss</b>	1	(284,810,152)	(1,451,871)
Interest payable	2	(64,288,080)	(34,250,295)
<b>Loss on ordinary activities before taxation</b>		(349,098,232)	(35,702,166)
Tax on loss on ordinary activities	3	8,605,200	284,313
<b>Loss for the financial year</b>	9	(340,493,032)	(35,417,853)

All activity arose from continuing operations

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

# British Vita (UK) Limited

## Balance sheet as at 31 December 2006

	Notes	2006 €	2005 €
<b>Fixed assets</b>			
Investments	4	826,697,864	825,824,168
<b>Current assets</b>			
Debtors	5	179,418,188	173,094,111
Creditors: amounts falling due within one year	6	(29,607,144)	(28,240,826)
<b>Net current assets</b>		<b>149,811,044</b>	<b>144,853,285</b>
<b>Total assets less current liabilities</b>		<b>976,508,908</b>	<b>970,677,453</b>
Creditors: amounts falling due after one year	7	(1,073,629,658)	(1,006,095,157)
<b>Net liabilities</b>		<b>(97,120,750)</b>	<b>(35,417,704)</b>
<b>Capital and reserves</b>			
Called up share capital	8	298	149
Share premium account	9	278,789,837	-
Profit and loss account	9	(375,910,885)	(35,417,853)
<b>Equity shareholder's deficit</b>	10	<b>(97,120,750)</b>	<b>(35,417,704)</b>

The financial statements on pages 5 to 13 were approved by the board of directors on 10 October 2007 and were signed on its behalf by



Mr J Oliver  
Director  
10 October 2007



# **British Vita (UK) 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.

The functional currency of the Company is the Euro.

### **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.

### **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.

### **Finance costs**

Finance costs are deducted from the carrying value of debt and are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying value.

### **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.

# British Vita (UK) Limited

## Notes to the financial statements

for the year to 31 December 2006

### 1 Operating loss

No directors' emoluments were paid during the year or the previous period. The Company has no employees. Auditors' remuneration for audit services was €45,000 (2005: €27,500).

The closing exchange rate of the Euro to Sterling at 31 December 2006 was 1.4842 (2005: 1.4593).

### 2 Interest payable

	Year ended 31 December 2006 €	17 March to 31 December 2005 €
Bank overdrafts and loans	46,896,197	26,452,149
Amortisation of finance costs	2,893,361	1,567,237
Inter company interest	14,498,522	6,230,909
	<b>64,288,080</b>	<b>34,250,295</b>

### 3 Taxation

	Year ended 31 December 2006 €	17 March to 31 December 2005 €
<b>Current tax</b>		
United Kingdom corporation tax at 30%	5,785,738	284,313
Adjustments in respect of previous years	2,819,462	-
Tax on loss on ordinary activities	<b>8,605,200</b>	<b>284,313</b>

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

# British Vita (UK) Limited

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

### 3 Taxation (continued)

	Year ended 31 December 2006 €	17 March to 31 December 2005 €
Loss on ordinary activities before taxation	349,098,232	35,702,166
Tax on loss on ordinary activities at standard UK Corporation Tax of 30%	104,729,470	10,710,650
Tax losses not utilised	(15,306,736)	(10,426,337)
Expenses not deductible for tax purposes	(83,636,996)	-
Adjustments in respect of previous years	2,819,462	-
	<b>8,605,200</b>	<b>284,313</b>

Potential deferred tax assets of €23.6m (2005: €8.5m) 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.

### 4 Fixed asset investments

	Subsidiary undertakings £
<b>Cost</b>	
At 1 January 2006	825,824,168
Additions	279,663,682
<b>At 31 December 2006</b>	<b>1,105,487,850</b>
<b>Amounts written off</b>	
At 1 January 2006	-
Written off during the year	278,789,986
<b>At 31 December 2006</b>	<b>278,789,986</b>
<b>Net book value</b>	
<b>At 31 December 2006</b>	<b>826,697,864</b>
<b>At 31 December 2005</b>	<b>825,824,168</b>

During the year the Company acquired a further 52,000,000 shares in its direct subsidiary undertaking, British Vita Unlimited, for a consideration of €278,789,986. The directors assessed the carrying value of investments at the year end and concluded that an exceptional impairment charge of €278,789,986 was appropriate. This had no tax effect. The remaining addition during the year represents a transfer of expenses in relation to the original acquisition from a fellow Group company.

# British Vita (UK) Limited

## Notes to the financial statements (continued)

for the year ended 31 December 2006

### 4 Fixed asset investments (continued)

The principal subsidiary undertakings at the year end are as follows (\* indicates held indirectly)

Subsidiary undertakings	Country of incorporation and operation	% shares held by Company	Principal activity
British Vita Unlimited	England	95 73%	Parent Company
Vita Thermoplastic Compounds Limited	England	*95 73%	Thermoplastic compounds
Vita Thermoplastic Sheet Limited	Scotland	*95 73%	Thermoplastic sheet
Hyperlast Limited	England	*95 73%	Liquid Compounds
Chemical Innovations Limited	England	*95 73%	Liquid Compounds
Kay-Metzeler Limited	England	*95 73%	Cellular foams
Vitafoam Limited	England	*95 73%	Cellular foams
Vita International Limited	England	*95 73%	Parent Company
Australia Vita Pty Limited	Australia	*95 73%	Parent Company
British Vita (Germany) GmbH	Germany	*95 73%	Parent Company
Metzeler Schaum GmbH	Germany	*90 85%	Cellular foam products
Metzeler Plastics GmbH	Germany	*90 85%	Thermoplastic sheet
Libeltex BVBA	Belgium	*95 73%	Nonwoven products
UAB Vita Baltic International	Lithuania	*95 73%	Cellular foam products
Vita Thermoplastic Denmark A/S	Denmark	*95 73%	Thermoplastic sheet
Vita Investments North America Limited	England	*95 73%	Parent Company
Vita Polymers Poland Sp Zo o	Poland	*95 73%	Cellular foam products
Vitafoam Products Canada Limited	Canada	*95 73%	Cellular foam products
Vita Thermoplastic Compounds (Malaysia) SDN BHD	Malaysia	*95 73%	Thermoplastic compounds
VTC Elastoteknik AB	Sweden	*95 73%	Thermoplastic compounds
Royalite Plastics srl	Italy	*89 97%	Polymeric products
Vitafoam Inc	USA	*95 73%	Cellular foam products
Vita Industrials US Inc	USA	*95 73%	Cellular foam products
Crest Foam Industries Inc	USA	*76 58%	Cellular foam products

### 5 Debtors

	2006 €	2005 €
Amounts owed by group undertakings	167,713,857	171,443,836
Corporation tax	8,889,513	284,313
VAT recoverable	2,814,818	1,365,962
	179,418,188	173,094,111

# British Vita (UK) Limited

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

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

	2006 €	2005 €
Bank loans	11,511,146	11,575,915
Bank overdrafts	-	1,020,328
Other creditors	-	8,698,174
Accruals and deferred income	18,095,998	6,946,409
	<b>29,607,144</b>	<b>28,240,826</b>

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

	2006 €	2005 €
Bank loans	519,246,552	607,524,903
Amounts owed to group undertakings	554,383,106	398,570,254
	<b>1,073,629,658</b>	<b>1,006,095,157</b>

Bank loans are repayable as follows

between one and two years	15,348,194	19,844,426
between two and five years	52,759,418	85,992,514
beyond five years	451,138,940	501,687,963
Amounts falling due after more than one year	519,246,552	607,524,903
Amounts falling due within one year	11,511,146	11,575,915
	<b>530,757,698</b>	<b>619,100,818</b>

Bank loans are stated net of €19.1m (2005: €22.0m) of finance costs. The finance costs are amortised over the average life of the loans which is eight years.

The bank loans are secured. The interest rates chargeable on the bank loans fall within the range LIBOR+2.25% to LIBOR+3.25%.

## British Vita (UK) Limited

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

#### 8 Called up share capital

	2006 €	2005 €
<b>Authorised</b>		
200 (2005 – 100) Ordinary shares of €1 49 each	298	149
<b>Allotted, called up and fully paid</b>		
200 (2005 – 100) Ordinary shares of €1 49 each	298	149

A special resolution increasing the Authorised share capital of the Company was passed on 29 December 2006

On the same date the Company issued 100 Ordinary shares for a consideration of €278,789,986. This gave rise to the creation of a share premium account of €278,789,837.

#### 9 Reserves

	Share premium account €	Profit and loss account €
At 1 January 2006	-	(35,417,853)
Loss for the year	-	(340,493,032)
Issue of share capital	278,789,837	-
<b>At 31 December 2006</b>	<b>278,789,837</b>	<b>(375,910,885)</b>

#### 10 Reconciliation of movements in equity shareholder's deficit

	2006 €	2005 €
Loss for the financial year	(340,493,032)	(35,417,853)
Issue of share capital	278,789,986	149
Net reduction in equity shareholder's deficit	(61,703,046)	(35,417,704)
<b>Opening equity shareholder's deficit</b>	<b>(35,417,704)</b>	<b>-</b>
<b>Closing equity shareholder's deficit</b>	<b>(97,120,750)</b>	<b>(35,417,704)</b>

# **British Vita (UK) Limited**

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

### **11 Related party transactions**

The Company makes a payment of €1.5m per annum in respect of a monitoring fee to TPG Genpar IV, LP, under a Management Service Agreement dated 28 June 2005

### **12 Post balance sheet event**

On 30 April 2007 two indirect subsidiaries of the Company, Hyperlast Limited and Autothane Limited, were sold for €101.1m

### **13 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.