

British Vita (UK) Limited
Annual report and financial statements
for the year ended 31 December 2011

Registered Number 5396870

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British Vita (UK) Limited
Annual report and financial statements
for the year ended 31 December 2011

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British Vita (UK) Limited

Directors and Advisors for the year ended 31 December 2011

Directors

Mr J H Menendez
Mr G L Maundrell
Mr S Cox
Mr J D Meltham
Mr C G King

Secretary

Vita Industrial (UK) Limited

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

Times Place
45 Pall Mall
London
SW1Y 5JG

Registered Number

5396870

British Vita (UK) Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2011

Principal activity

The principal activity of the Company during the year continued to be the immediate parent and debt holder for investments in the Group (British Vita (Lux III) S à r l and its subsidiary companies) Principal investments are detailed in note 4 to the financial statements

Business review

Results for the year ended 31 December 2011 were in line with expectations The loss for the year after taxation was €10,456,033 (2010 profit €25,654,937) At the year end the Company had net liabilities of £9,430,202 (2010 £20,189,130)

There were no exceptional costs or gains in 2011 In 2010, the Company benefited from €3,434,572 of exceptional gains on the reversal of a prior year accrual for restructuring costs and gains of €31,079,470 on the write down of an inter-company loan from British Vita US Inc

In 2011 there was an unrealised gain on disposal of Doeflex Industries Limited of €21,214,961 Profit and loss reserves were affected through the statement of total recognised gains and losses

Environment

The Company 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

Financial risk management

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 foreign currency forward 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 treasury department manages borrowings centrally At the year end the Company had no foreign currency forward 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 submitted to Group for review The Key Performance Indicators on which the Group focuses are

- EBITDA
- Working Capital
- Operating Cash Flow

The three KPIs are measured in absolute terms and, in addition, working capital is also measured on days sales outstanding, days purchases outstanding and days inventory in hand The Group has confirmed through its reviews that the KPIs have been running at a level consistent with expectations and have satisfied the Group's relevant banking covenants

Dividends

The directors do not propose a dividend in respect of the year ended 31 December 2011 (2010 €nil)

British Vita (UK) Limited

Directors' report for the year ended 31 December 2011 (continued)

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 H Menendez
Mr G L Maundrell
Mr S Cox
Mr J D Meltham
Mr C G King (appointed 21 October 2011)
Mr N J Burley (resigned 25 March 2011)
Mr S Allanson (resigned 21 October 2011)

Political and charitable contributions

No political or charitable donations (2010 £nil) were made by the Company during the year

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared 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 of information to auditors

Each director in office at the date the Directors' report is approved confirms 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

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006

By order of the Board



Mr G L Maundrell
Director
30 April 2012

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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 Statement of directors' responsibilities set out on page 3, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

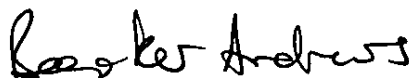
Opinion on other matter prescribed by the Companies Act 2006

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.



Bowker Andrews (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 April 2012

British Vita (UK) Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 €	2010 €
Administrative expenses before exceptional items		(68,075)	(428,820)
Exceptional items – restructuring items	1	-	3,434,572
Exceptional items – inter-company loan write down	1	-	31,079,470
Total administrative (costs)/gains		(68,075)	34,085,222
Operating (loss)/profit	1	(68,075)	34,085,222
Interest receivable and similar income	2	1,854,011	566,817
Interest payable and similar charges	2	(14,609,104)	(11,190,110)
Total finance charges		(12,755,093)	(10,623,293)
(Loss)/profit on ordinary activities before taxation		(12,823,168)	23,461,929
Tax on (loss)/profit on ordinary activities	3	2,367,135	2,193,008
(Loss)/profit for the financial year	9	(10,456,033)	25,654,937

All results are generated from continuing operations

The Company had a recognised gain in 2011 other than those included in the results above. Therefore a separate statement of total recognised gains and losses has been presented.

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the years stated above and their historical cost equivalents.

British Vita (UK) Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 €	2010 €
(Loss)/profit for the financial year	9	(10,456,033)	25,654,937
Novation of inter-company loans	9	21,214,961	-
Total recognised gains relating to the year		10,758,928	25,654,937

British Vita (UK) Limited

Balance sheet as at 31 December 2011

	Note	2011 €	2010 €
Fixed assets			
Investments	4	557,672,057	544,791,723
Current assets			
Debtors (includes €55,088,262 (2010 €66,670,396) due after one year)	5	60,471,486	70,085,432
Cash at bank and in hand		2,137	-
		60,473,623	70,085,432
Creditors: amounts falling due within one year	6	(10,061,482)	(764,572)
Net current assets		50,412,141	69,320,860
Total assets less current liabilities		608,084,198	614,112,583
Creditors: amounts falling due after more than one year	7	(617,514,400)	(634,301,713)
Net liabilities		(9,430,202)	(20,189,130)
Capital and reserves			
Called up share capital	8	298	298
Profit and loss account	9	(9,430,500)	(20,189,428)
Total shareholders' deficit	10	(9,430,202)	(20,189,130)

The financial statements on pages 5 to 15 were approved by the board of directors on 24 April 2012 and were signed on its behalf by



Mr J D Meltham
Director
30 April 2012

British Vita (UK) Limited
Registered Number
5396870

British Vita (UK) 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.

The functional currency of the Company is the Euro.

Basis of preparation

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 (Lux III) S à r l 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.

Investments

Investments in subsidiary undertakings are initially stated at cost. Foreign equity investments that are wholly or partially hedged using foreign currency borrowings are regarded as currency assets to the extent that they are so hedged. Differences on the retranslation of foreign currency investments are taken to reserves. Provision is made for any 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 foreign currency forward 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 foreign currency forward contract). Differences arising on translation of foreign currency borrowings used to finance foreign currency investments are taken to reserves and matched against the translation differences of the related foreign currency investment. Any other 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 (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 (FRS) 1 "Cash flow statements" (Revised 1996) to prepare a cash flow statement.

British Vita (UK) Limited

Accounting policies (continued)

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

Going concern

The Company has net liabilities of €9,430,202 at 31 December 2011 (2010: €20,189,130) and is reliant on the continued support of the creditors. British Vita (Lux III) S à r l has indicated that this support will continue for such a period as the company remains part of the Group. On this basis the director believes that the accounts should be prepared on a going concern basis.

British Vita (UK) Limited

Notes to the financial statements

for the year to 31 December 2011

1 Operating (loss)/profit

No directors' emoluments were paid during the year or the previous year. The Company has no employees. Auditors' remuneration of €2,880 (2010: €2,880) for audit services was borne by a fellow Group company.

There were no exceptional costs or gains in 2011. In 2010, the Company benefited from €3,434,572 of exceptional gains on the reversal of a prior year accrual for restructuring costs and gains of €31,079,470 on the write down of an inter-company loan from British Vita US Inc.

The closing exchange rate of Sterling to Euro at 31 December 2011 was 1.1943 (2010: 1.1594), and average rate was 1.1515 (2010: 1.1670).

2 Net finance charges

	2011	2010
	€	€
Interest receivable from group undertakings	(1,854,011)	(566,817)
Interest payable from group undertakings	14,609,104	11,190,110
	12,755,093	10,623,293

British Vita (UK) Limited

Notes to the financial statements (continued) for the year to 31 December 2011

3 Tax on loss/(profit) on ordinary activities

	2011 €	2010 €
Current tax		
United Kingdom corporation tax at 26.5% (2010 - 28%)	(2,553,000)	(2,193,000)
Adjustments in respect of previous years	185,865	(8)
Tax on loss/(profit) on ordinary activities	(2,367,135)	(2,193,008)

The tax assessed for the year differs (2010 differs) from the effective rate of Corporation tax in the UK. The differences are explained as follows:

	2011 €	2010 €
(Loss)/profit on ordinary activities before taxation	(12,823,168)	23,461,929
Tax on (loss)/profit on ordinary activities at effective UK Corporation of 26.5% (2010 - 28%)	(3,398,140)	6,569,340
Tax losses not utilised/(utilised)	738,888	(153)
Expenses/(income) not deductible for tax purposes	106,252	(59,935)
Gains not taxable	-	(8,702,252)
Adjustments in respect of previous years	185,865	(8)
Current tax credit for the year	(2,367,135)	(2,193,008)

Potential deferred tax assets of €56.6m (2010: €55.9m) have not been recognised in respect of losses carried forward and other timing differences, as it is considered the degree of certainty around the level of future taxable profits is not sufficient to recognise these assets.

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 and a further reduction to 25% with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively. The effect of these rate reductions has been included in the relevant figures above.

In his budget of 21 March 2012 the Chancellor of the Exchequer announced certain tax changes. The proposals included phased reductions in the corporation tax rate. The rate reduced to 24% from 1 April 2012 and further reductions were proposed to 23% effective from 1 April 2013 and to 22% effective from 1 April 2014. As at 31 December 2011 these changes had not been substantively enacted and therefore are not recognised in the financial statements. The overall effect of the further reductions from 25% to 22%, if these applied to the deferred tax balance not recognised at 31 December 2011, would be to reduce the UK deferred tax asset not recognised by approximately €6.8m.

British Vita (UK) Limited

Notes to the financial statements (continued)

for the year ended 31 December 2011

4 Fixed asset investments

	Subsidiary undertakings
	€
Cost/Valuation	
At 1 January 2011	998,281,709
Retranslation	12,880,334
At 31 December 2011	1,011,162,043
Amounts written off	
At 1 January and 31 December 2011	453,489,986
Net Book Value	
At 31 December 2011	557,672,057
At 31 December 2010	544,791,723

The directors believe that the carrying value of the investments is supported by their underlying net assets. 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
Vita Cellular Foams (UK) Limited	England	*95.73%	Cellular foam products
Ball & Young Limited	England	*95.73%	Cellular foam products
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. z o.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
Royalite Plastics srl	Italy	*89.97%	Polymeric products
Vitafoam Inc	USA	*95.73%	Nonwoven products
Pathway Polymers Inc	USA	*95.73%	Cellular foam products

British Vita (UK) Limited

Notes to the financial statements (continued) for the year ended 31 December 2011

5 Debtors

	2011 €	2010 €
Amounts owed by group undertakings (includes €55,088,262 (2010 €66,670,396) due after one year)	57,741,802	67,892,432
Corporation tax	2,553,000	2,193,000
Prepayments	176,684	-
	60,471,486	70,085,432

Amounts owed by group undertakings are unsecured and interest is charged on a floating rate basis. The rates are linked to the libor (or equivalent) for the currency of each loan, and an appropriate margin is added.

6 Creditors: amounts falling due within one year

	2011 €	2010 €
Amounts owed to group undertakings	9,044,728	629,352
Accruals and deferred income	1,016,754	135,220
	10,061,482	764,572

Amounts owed by group undertakings are interest free and repayable 45 days after the end of the month in which they arose.

7 Creditors: amounts falling due after more than one year

	2011 €	2010 €
Amounts owed to group undertakings	617,201,734	633,989,047
Other creditors	312,666	312,666
	617,514,400	634,301,713

Amounts owed to group undertakings are unsecured and interest is charged on a floating rate basis. The rates are linked to the libor (or equivalent) for the currency of each loan, and an appropriate margin is added. They have no fixed date of repayment.

British Vita (UK) Limited

Notes to the financial statements (continued) **for the year to 31 December 2011**

8 Called up share capital

	2011	2010
	€	€
Allotted, called up and fully paid		
200 (2010 200) Ordinary shares of €1.49 each	298	298

9 Profit and loss account

	€
At 1 January 2011	(20,189,428)
Novation of inter company loans	21,214,961
Loss for the year	(10,456,033)
At 31 December 2011	(9,430,500)

10 Reconciliation of movements in shareholders' deficit

	2011	2010
	€	€
(Loss)/profit for the financial year	(10,456,033)	25,654,937
Novation of inter company loans	21,214,961	-
Opening shareholders' deficit	(20,189,130)	(45,844,067)
Closing shareholders' deficit	(9,430,202)	(20,189,130)

British Vita (UK) Limited

Notes to the financial statements (continued)

for the year to 31 December 2011

11 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(C) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that throughout the year it was a wholly owned subsidiary of a group headed by British Vita (Lux III) S à r l , whose financial statements are publicly available

12 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is British Vita (Lux III) S à r l

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 2011. The consolidated financial statements may be obtained from 5, Rue Guillaume Kroll, L-1882, Luxembourg

The Company's ultimate controlling party is TPG Partners IV-AIV, LP, a partnership located in the Cayman Islands. The ultimate parent company is Vita Cayman Limited

13 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