

Financial Statements

Exopack Advanced Coatings Limited

For the year ended 31 December 2012



Registered number: 6333621

Company Information

Directors	J Knott MT Chappell
Company secretary	J Knott
Registered number	6333621
Registered office	Ash Road North Wrexham Industrial Estate Wrexham LL13 9UF
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3LB
Bankers	Barclay Bank plc PO Box 544 54 Lombard Street London EC3V 9EX

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Directors' Report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The company's principal activity is that of a holding company. The principal activity of the group is the manufacture of coated papers and films.

Business review

Turnover for the group was up 8% on 2011. This was primarily driven by growth in the group's Inspire brand medical product range. Operating profit was up 27% on 2011 as a result of increased volume and productivity and cost saving initiatives.

The group continues to invest in plant and machinery to maintain and improve its manufacturing facility and capabilities.

The group seeks to establish long term customer and supplier contracts and agreements where possible. These are spread within the sectors and geographical areas in which the group operates. The group believes that this approach will manage risk under the current economic environment.

The group uses a number of key financial performance indicators in assessing and driving performance. The key financial performance indicators include:

	2012	2011
Sales (£'000)	27,548	25,531
Gross profit (£'000)	7,548	5,923
Operating profit (£'000)	5,427	3,556
Debtor days (£'000)	63	52
Stock days (£'000)	57	54

Results

The profit for the year, after taxation, amounted to £4,119,000 (2011 - £2,624,000).

Directors

The directors who served during the year were:

J Knott
MT Chappell

Principal risks and uncertainties

Financial risk management objectives and policies

The group uses various financial instruments, these include intra-group borrowings and various other items such as working capital. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group's financial instruments are currency risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Currency risk

Directors' Report

For the year ended 31 December 2012

Approximately 44% of the group's sales are to customers outside the UK and hence the group is exposed to transaction foreign exchange risk. These sales are priced accordingly depending on the nature of the transaction. In addition, the group has the facility of exchanging currency through intra-group borrowings and by applying natural exchange hedges.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by intra-group funding.

Interest rate risk

The group finances its operations through a combination of retained profits and intra-group borrowings. The group therefore has limited exposure to interest rate fluctuations.

Credit risk

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

Exopack Advanced Coatings Limited

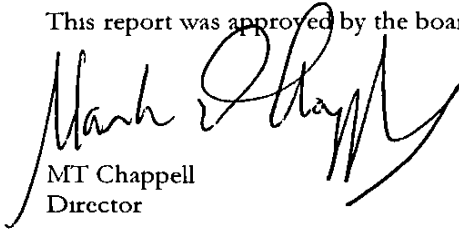
Directors' Report

For the year ended 31 December 2012

Auditor

The auditor, Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf



MT Chappell
Director

Date

23 September 2013



Independent Auditor's Report to the Members of Exopack Advanced Coatings Limited

We have audited the financial statements of Exopack Advanced Coatings Limited for the year ended 31 December 2012, which comprise the group Profit and loss account, the group and company Balance sheets, the group Cash flow statement 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).

This report is made solely to the group's and of the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's and of the parent company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the group's and of the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit 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.



Independent Auditor's Report to the Members of Exopack Advanced Coatings Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Grant Thornton UK LLP

Kevin Engel (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Manchester

Date *23 September 2013*

Consolidated Profit and Loss Account

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	2	27,548	25,531
Cost of sales		<u>(20,000)</u>	<u>(19,608)</u>
Gross profit		7,548	5,923
Administrative expenses		<u>(2,121)</u>	<u>(2,367)</u>
Operating profit	3	5,427	3,556
Net interest	5	<u>6</u>	<u>1</u>
Profit on ordinary activities before taxation		5,433	3,557
Tax on profit on ordinary activities	6	<u>(1,314)</u>	<u>(933)</u>
Profit for the financial year	14	<u>4,119</u>	<u>2,624</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

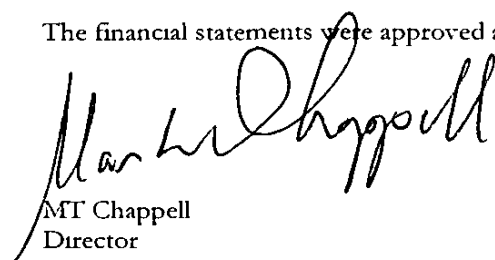
The notes on pages 10 to 20 form part of these financial statements

Consolidated Balance Sheet

As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	7		3,690		3,794
Current assets					
Stocks	9	3,118		2,908	
Debtors	10	5,317		4,124	
Cash at bank		1,072		1,241	
		<u>9,507</u>		<u>8,273</u>	
Creditors , amounts falling due within one year	11	<u>(3,582)</u>		<u>(2,767)</u>	
Net current assets			<u>5,925</u>		<u>5,506</u>
Net assets			<u><u>9,615</u></u>		<u><u>9,300</u></u>
Capital and reserves					
Called up share capital	13		2,186		2,186
Share premium account	14		1,324		1,324
Profit and loss account	14		6,105		5,790
Shareholders' funds	15		<u><u>9,615</u></u>		<u><u>9,300</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2013


MT Chappell
Director

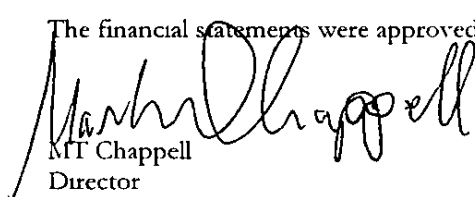
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Company Balance Sheet

As at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	8	7,542	7,542
Creditors, amounts falling due within one year	11	(3,508)	(3,423)
Net assets		<u>4,034</u>	<u>4,119</u>
Capital and Reserves			
Called up share capital	13	2,186	2,186
Share premium account	14	1,324	1,324
Profit and loss account	14	524	609
Shareholders' funds	15	<u>4,034</u>	<u>4,119</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


MT Chappell
Director

23
September 2013

The notes on pages 10 to 20 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	17	5,157	3,458
Returns on investments and servicing of finance	18	6	1
Taxation		(1,040)	(1,080)
Capital expenditure and financial investment	18	(488)	(617)
Equity dividends paid		(3,804)	(1,909)
Decrease in cash in the year		(169)	(147)

Reconciliation of Net Cash Flow to Movement in Net Funds

For the year ended 31 December 2012

	2012 £000	2011 £000
Decrease in cash in the year	(169)	(147)
Movement in net debt in the year	(169)	(147)
Net funds at 1 January	1,241	1,388
Net funds at 31 December	1,072	1,241

The notes on pages 10 to 20 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

1.2 Going Concern

The financial statements have been prepared on a going concern basis. The continuation of the company's activities is dependent on its subsidiary undertaking's forecast cash flows.

The company's subsidiary undertaking continues to establish and maintain long term contracts with a number of customers and suppliers across different geographic areas and industries. The company's subsidiary undertaking's forecasts and projections have been prepared for 12 months beyond the balance sheet date, which take account of possible changes in trading performance due to current economic conditions. As a consequence, the directors believe the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basis of consolidation

The financial statements consolidate the accounts of Exopack Advanced Coatings Limited and all of its subsidiary undertakings ('subsidiaries'). Acquisitions of subsidiaries are dealt with, with the acquisition method of accounting.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Revenue is recognised when the goods are despatched to the customer.

1.5 Goodwill

Goodwill, representing the excess fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life. Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	10 years straight line
Motor vehicles	-	3 years straight line
Office equipment	-	5 years straight line

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.8 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items

Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

1.11 Pensions

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year

1.12 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1.13 Development costs

Development costs on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised over the estimated year that the benefits will accrue. All other development costs are written off in the year of expenditure.

2. Turnover

The turnover is attributable to the principal activity of the group. An analysis of turnover by geographical market is as follows:

	2012 £000	2011 £000
United Kingdom	12,009	12,011
Overseas	15,539	13,520
	<u>27,548</u>	<u>25,531</u>

3. Operating profit

The operating profit is stated after charging:

	2012 £000	2011 £000
Depreciation of tangible fixed assets		
- owned by the group	592	623
Auditors' remuneration - audit services	32	30
Auditors' remuneration - non-audit services (tax compliance)	6	10
Operating lease rentals		
- other operating leases	220	220
Research and development expenditure written off	70	-
	<u>920</u>	<u>883</u>

Notes to the Financial Statements

For the year ended 31 December 2012

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	5,006	4,816
Social security costs	569	519
Other pension costs	411	358
	<u>5,986</u>	<u>5,693</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No
Production	107	110
Development	9	8
Selling and distribution	6	6
	<u>122</u>	<u>124</u>

5. Net interest

	2012 £000	2011 £000
Other interest receivable	<u>6</u>	<u>1</u>

Notes to the Financial Statements

For the year ended 31 December 2012

6. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	1,356	965
Adjustments in respect of prior periods	(5)	-
Total current tax	<u>1,351</u>	<u>965</u>
Deferred tax		
Origination and reversal of timing differences	(49)	(45)
Effect of increased tax rate on opening liability	12	9
Adjustments in respect of prior periods	-	4
Total deferred tax (see note 12)	<u>(37)</u>	<u>(32)</u>
Tax on profit on ordinary activities	<u><u>1,314</u></u>	<u><u>933</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 26.49% (2011 - 26.49%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>5,433</u>	<u>3,557</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2011 - 26.49%)	1,439	942
Effects of:		
Difference between capital allowances and depreciation	52	48
Adjustments to tax charge in respect of prior periods	(5)	-
Additional deduction in respect of research and development expenditure	(28)	(27)
Other short term timing differences	(107)	2
Current tax charge for the year (see note above)	<u><u>1,351</u></u>	<u><u>965</u></u>

Notes to the Financial Statements

For the year ended 31 December 2012

7. Tangible fixed assets

Group	Plant & machinery £000	Motor vehicles £000	Office equipment £000	Assets in course of construction £000	Total £000
Cost or valuation					
At 1 January 2012	7,552	58	80	4	7,694
Additions	-	-	-	488	488
Disposals	-	(19)	-	-	(19)
Transfer between classes	56	-	33	(89)	-
At 31 December 2012	7,608	39	113	403	8,163
Depreciation					
At 1 January 2012	3,778	58	64	-	3,900
Charge for the year	582	-	10	-	592
On disposals	-	(19)	-	-	(19)
At 31 December 2012	4,360	39	74	-	4,473
Net book value					
At 31 December 2012	3,248	-	39	403	3,690
At 31 December 2011	3,774	-	16	4	3,794

8. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Intelcoat Technologies EF Holdco Limited	Ordinary	100%
Exopack Advanced Coatings (North Wales) Limited	Ordinary	100%

Company	Investments in subsidiary companies £000
Cost and net book amount	
At 1 January 2012 and 31 December 2012	7,542
Net book value	
At 31 December 2012	7,542
At 31 December 2011	7,542

Notes to the Financial Statements

For the year ended 31 December 2012

9. Stocks

	Group	
	2012	2011
	£000	£000
Raw materials	1,007	984
Work in progress	1,513	1,438
Finished goods and goods for resale	598	486
	<u>3,118</u>	<u>2,908</u>

10. Debtors

	Group	
	2012	2011
	£000	£000
Trade debtors	4,772	3,637
Other debtors	122	110
Prepayments and accrued income	231	222
Deferred tax asset (see note 12)	192	155
	<u>5,317</u>	<u>4,124</u>

11. Creditors:

Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade creditors	1,443	1,286	-	-
Amounts owed to group undertakings	25	30	3,375	3,301
Corporation tax	751	439	-	-
Social security and other taxes	320	311	-	-
Accruals and deferred income	1,043	701	133	122
	<u>3,582</u>	<u>2,767</u>	<u>3,508</u>	<u>3,423</u>

Notes to the Financial Statements

For the year ended 31 December 2012

12. Deferred taxation

	Group	
	2012	2011
	£000	£000
At beginning of year	155	123
Credit for the year	37	32
At end of year	192	155

The deferred taxation balance is made up as follows

	Group	
	2012	2011
	£000	£000
Accelerated capital allowances	183	145
Other timing differences	9	10
	192	155

13. Share capital

	2012	2011
	£000	£000
Allotted, called up and fully paid		
2,186,271 Ordinary Shares shares of £1 each	2,186	2,186

14. Reserves

Group	Share premium account	Profit and loss account
	£000	£000
At 1 January 2012	1,324	5,790
Profit for the year	-	4,119
Dividends paid (note 16)	-	(3,804)
At 31 December 2012	1,324	6,105

Notes to the Financial Statements

For the year ended 31 December 2012

14. Reserves (continued)

Company	Share premium account £000	Profit and loss account £000
At 1 January 2012	1,324	609
Profit for the year	-	3,719
Dividends paid (note 16)	-	(3,804)
At 31 December 2012	<u>1,324</u>	<u>524</u>

15. Reconciliation of movement in shareholders' funds

Group	2012 £000	2011 £000
Opening shareholders' funds	9,300	8,585
Profit for the year	4,119	2,624
Dividends paid (note 16)	(3,804)	(1,909)
Closing shareholders' funds	<u>9,615</u>	<u>9,300</u>

Company	2012 £000	2011 £000
Opening shareholders' funds	4,119	3,825
Profit for the year	3,719	2,203
Dividends paid (note 16)	(3,804)	(1,909)
Closing shareholders' funds	<u>4,034</u>	<u>4,119</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account

The profit for the year dealt with in the accounts of the company was £524,000 (2011 - £2,203,000)

16. Dividends

	2012 £000	2011 £000
Ordinary dividend of 174 pence (2011 87 pence per share)	<u>3,804</u>	<u>1,909</u>

Notes to the Financial Statements

For the year ended 31 December 2012

17. Net cash flow from operating activities

	2012 £000	2011 £000
Operating profit	5,427	3,556
Depreciation of tangible fixed assets	592	623
(Increase)/decrease in stocks	(210)	358
Increase in debtors	(1,155)	(404)
Increase/(decrease) in creditors	503	(675)
Net cash inflow from operating activities	5,157	3,458

18. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	6	1
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(488)	(617)

19. Analysis of changes in net debt

	1 January 2012 £000	Cash flow £000	Other non-cash changes £000	31 December 2012 £000
Cash at bank and in hand	1,241	(169)	-	1,072
Net funds	1,241	(169)	-	1,072

Notes to the Financial Statements

For the year ended 31 December 2012

20. Pension commitments

The group contributes to a defined contribution scheme and the assets of the scheme are administered by trustees in funds independent from the group's assets. The pension cost charged to the profit and loss account in the year was £411,000 (2011 £358,000)

21. Operating lease commitments

Operating lease payments amounting to £220,000 (2011 £220,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings	
	2012	2011
Group	£000	£000
Expiry date		
After more than 5 years	220	220

22. Guarantees and other financial commitments

There were no capital or other financial commitments at 31 December 2012 or 31 December 2011.

23. Contingent liabilities

There were no material contingent liabilities at 31 December 2012 or 31 December 2011.

24. Related party transactions

The company is a wholly owned subsidiary of Exopack Holding Corp, and has taken advantage of the exemption in FRS 8 to not disclose transactions with other wholly owned subsidiary undertakings of Exopack Holding Corp.

No other transactions with related parties were undertaken requiring disclosure under FRS 8.

25. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Exopack LLC, incorporated in the United States of America. The ultimate parent undertaking is Exopack Holding Corp, a company registered in the United States of America.

Sun Capital Partners is the company's ultimate controlling party by virtue of its shareholding in Exopack Holding Corp.