

Vita Investments North America Limited
Annual report
for the year ended 31 December 2006

Registered Number 1522818

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Vita Investments North America Limited
Annual report
for the year ended 31 December 2006

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Vita Investments North America Limited

Directors and Advisors for the year ended 31 December 2006

Directors

Mr J Oliver
Mr N Burley
Mr G Maundrell

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

1522818

Vita Investments North America Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 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 overseas investments of British Vita Group. Principal investments are detailed in notes 3 and 4 to the accounts.

Results for the year ended 31 December 2006 were in line with expectations. The profit for the year after taxation and exceptional items was £1,582,385 (2005: loss of £1,189,595).

At the year end the Company had net assets of £100,639,701 (2005: £99,057,316).

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.

Vita Investments North America Limited

Directors' report (continued)

Dividends

The directors do not propose a dividend in respect of the year ended 31 December 2006 (2005 £nil)

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 N Burley	(Appointed 6 July 2007)
Mr G Maundrell	(Appointed 4 May 2007)

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 ended 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

Vita Investments North America Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITA INVESTMENTS NORTH AMERICA LIMITED

We have audited the financial statements of Vita Investments North America 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

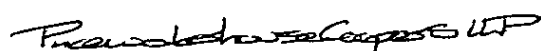
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

Vita Investments North America Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Income from shares in associated undertakings		434,782	-
Administrative expenses		653,820	139,120
Operating profit	1	1,088,602	139,120
Impairment of investments	3	-	(1,467,225)
Profit (loss) on ordinary activities before interest		1,088,602	(1,328,105)
Interest payable – inter group		-	(19,106)
Interest receivable		759,999	222,006
Profit (loss) on ordinary activities before taxation		1,848,601	(1,125,205)
Tax on profit (loss) on ordinary activities	2	(266,216)	(64,390)
Profit (loss) for the financial year	9	1,582,385	(1,189,595)
Retained profit brought forward		6,126,497	7,316,092
Retained profit carried forward		7,708,882	6,126,497

Operating profit is generated from continuing operations


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

Vita Investments North America Limited

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	3	44,398,220	51,112,479
Current assets			
Debtors (including £17,546,277 (2005 £17,381,766) due after one year)	5	67,794,238	69,211,444
Cash		3,257	3,267
		67,797,495	69,214,711
Creditors: amounts falling due within one year	6	(10,555,928)	(21,269,874)
Net current assets		57,241,567	47,944,837
Total assets less current liabilities		101,639,787	99,057,316
Creditors: amounts falling due after more than one year	7	(1,000,086)	-
Net assets		100,639,701	99,057,316
Capital and reserves			
Called up share capital	8	20,600	20,600
Share premium account	9	92,910,219	92,910,219
Profit and loss account	9	7,708,882	6,126,497
Equity shareholder's funds	10	100,639,701	99,057,316

The financial statements on pages 5 to 11 were approved by the board of directors on 10 October 2007 and were signed on its behalf by



Mr N Burley
Director
10 October 2007

Vita Investments North America 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.

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, as adjusted for pre-acquisition dividends received.

Where circumstances indicate that there may have been an impairment of the carrying value, an impairment review is carried out using cash flows calculated from budgets and projections which are discounted at the Group's risk-adjusted weighted average cost of capital calculated from equity market data and borrowing rates.

Dividend income

Dividend income is accounted for on a received basis.

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.

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 Investments North America Limited

Notes to the financial statements for the year ended 31 December 2006

1 Operating profit

No directors' emoluments were paid during this or the previous year. The Company has no employees.

Auditors' remuneration for audit services was borne by British Vita Unlimited, a fellow Group company.

2 Taxation

	2006 £	2005 £
Current tax		
United Kingdom corporation tax at 30% (2005: 30%)	228,000	64,390
Adjustments in respect of previous years	38,216	-
Tax on profit (loss) on ordinary activities	266,216	64,390

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

	2006 £	2005 £
Profit (loss) on ordinary activities before taxation	1,848,601	(1,125,205)
Tax on profit (loss) on ordinary activities at standard UK Corporation Tax rate of 30% (2005: 30%)	554,580	(337,562)
Impairment not deductible	-	440,167
Expenses not deductible for tax purposes	18,938	166
Net income not subject to tax	(345,518)	(38,381)
Adjustments in respect of previous years	38,216	-
	266,216	64,390

It is expected that the effective rate will approximate to a standard corporation tax rate in the new financial year.

Vita Investments North America Limited

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

3 Fixed asset investments

	Subsidiary undertakings £	Associated undertakings £	Total £
Cost less provision for impairment			
At 1 January 2006	50,802,003	310,476	51,112,479
Repayment of loan	-	(310,476)	(310,476)
Repayment of preference shares	(6,403,783)	-	(6,403,783)
At 31 December 2006	44,398,220	-	44,398,220

During the year one of the Company's subsidiaries, Vita Industrial US Inc, repaid preference shares thus reducing the Company's cost of investment

The loan with the associated undertaking was also fully repaid in the year

4 Shares in group undertakings

The principal investments are as follows

Subsidiary undertakings	Country of incorporation, registration and operation	Description and proportion of shares held by Company	Principal activity
Vitafoam Inc	USA	100% ordinary shares	Nonwoven products
Pathway Polymers Inc (formerly Vita Industrial US Inc)	USA	100% ordinary shares	Thermoplastic compounds
Crest Foam Industries Inc	USA	80% ordinary shares	Cellular polymer products

Vita Investments North America Limited

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

5 Debtors

	2006 £	2005 £
Amounts owed by group undertakings (including £17,546,277 (2005 £17,381,766) due after one year)	67,794,238	69,010,202
Prepayments and accrued income	-	201,242
	67,794,238	69,211,444

6 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	10,000,000	21,002,676
Accruals and deferred income	30,000	5,807
Corporation tax	525,928	261,391
	10,555,928	21,269,874

7 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	1,000,086	-

8 Called up share capital

	2006 £	2005 £
Authorised		
21,000 ordinary shares of £1 each	21,000	21,000
Allotted, called up and fully paid		
20,600 ordinary shares of £1 each	20,600	20,600

Vita Investments North America Limited

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

9 Reserves

	Share Premium account	Profit and loss account
	£	£
At 1 January 2006	92,910,219	6,126,497
Profit for the year	-	1,582,385
At 31 December 2006	92,910,219	7,708,882

10 Reconciliation of movements in equity shareholder's funds

	2006 £	2005 £
Profit (loss) for the financial year	1,582,385	(1,189,595)
Opening equity shareholder's funds	99,057,316	100,246,911
Closing equity shareholder's funds	100,639,701	99,057,316

11 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exception under FRS 8 not to disclose intra-group transactions. There have been no other related party transactions.

12 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.