

Deamas Disposables Limited

**Directors' report and financial
statements**

Registered number 2597710

30 September 2004



Directors:	Amirali S Tejani John A Danton Collete Hodgkinson John McDermott
Secretary:	I D Waring
Company Number:	2597710
Registered Office:	Waterside Road Hamilton Industrial Park Leicester LE5 1TZ
Auditors	KPMG LLP 1 Waterloo Way Leicester LE1 6LP
Bankers:	The Royal Bank of Scotland plc 5 Market Street Leicester LE1 6DN Barclays Bank Plc 15 Colmore Row Birmingham B3 2WN

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2004.

Principal activity

The principal activity of the company is the production and supply of disposable paper products.

Review of business

Although the results for the year were disappointing, the directors remain optimistic about the future.

Results and dividends

The loss for the year, after taxation, amounted to £ 336,000 (2003: £399,000). The directors do not propose to pay a dividend.

Directors and directors' interests

The directors who served during the year were:

AS Tejani
JA Danton
C Hodgkinson
J McDermott

There are no share interests requiring disclosure. The interests of AS Tejani and JA Danton in the shares of other group companies at the end of the year are disclosed in the annual report of LPC Group Plc, of which company they are also directors.

Employee involvement

It is company policy to involve employees in the running of the business through regular communication between departmental heads and staff units.

Employees are also consulted directly about changes designed to improve the effectiveness of their work unit, security of employment, job opportunities, deployment, methods of working and changes in the working environment.

The company has introduced, in line with government proposals, stakeholder pension arrangements and life assurance for its staff members.

It is also company policy to encourage the employment, training and promotion of disabled persons whenever practicable. Should an employee become disabled during the course of employment, alternative employment would, if possible, be found.

Directors' report *(continued)*

Payment policy and practice

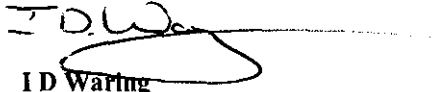
It is policy of the directors to pay creditors in accordance with individual negotiated terms of settlement,

At the year end trade creditors shown in the balance sheet represented 65 days worth of supplies invoiced during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


I D Waring
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Waterloo Way

Leicester

LE1 6LP

United Kingdom

Report of the independent auditors to the members of Deamas Disposables Limited

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

29th July, 2005.

Profit and loss account
for the year ended 30 September 2004

	Notes	2004 £000	6 July 2002 to 30 September 2003 £000
Turnover	2	12,999	14,223
Cost of sales		10,716	11,792
		<hr/>	<hr/>
Gross profit		2,283	2,431
Distribution costs		(1,120)	(1,110)
Administrative expenses		(1,283)	(1,418)
		<hr/>	<hr/>
Operating loss	3	(120)	(97)
Interest payable and similar charges	6	(284)	(397)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(404)	(494)
Tax on loss on ordinary activities	7	68	95
		<hr/>	<hr/>
Loss for the year/period	18	(336)	(399)
		<hr/>	<hr/>

All amounts relate to continuing operations.

The loss for the year on a historic cost basis is not materially different from above.

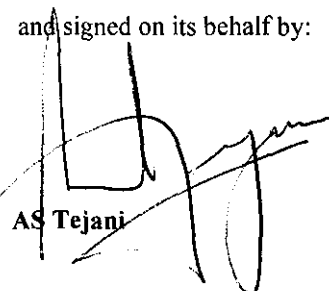
Statement of total recognised gains and losses
for the year ended 30 September 2004

	2004 £000	2003 £000
Loss for the financial year/period	(336)	(399)
Unrealised surplus on revaluation of tangible fixed assets	-	389
	<hr/>	<hr/>
Total recognised gains and losses since last annual report	(336)	(10)
	<hr/>	<hr/>

Balance sheet
at 30 September 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible	8	4,326	4,588
Current assets			
Stocks	9	1,437	869
Debtors	10	3,459	2,802
		<u>4,896</u>	<u>3,671</u>
Creditors: amounts falling due within one year	11	<u>(8,838)</u>	<u>(7,055)</u>
Net current liabilities		<u>(3,942)</u>	<u>(3,384)</u>
Total assets less current liabilities		<u>384</u>	<u>1,204</u>
Creditors: amounts falling due after more than one year	12	(1,264)	(1,680)
Provision for liabilities and charges	15	(174)	(242)
Net liabilities		<u>(1,054)</u>	<u>(718)</u>
Capital and reserves			
Called up share capital	16	71	71
Share premium account		65	65
Revaluation reserve	17	389	389
Profit and loss account	18	(1,579)	(1,243)
Equity shareholders' funds	19	<u>(1,054)</u>	<u>(718)</u>

These financial statements were approved by the board of directors on 29 July 2005
and signed on its behalf by:


AS Tejani

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historic cost convention as modified for the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards. The accounts have been prepared on a going concern basis having regard to the support of the parent company.

Cash flow exemption

The company is exempt from the requirement to prepare a cash flow statement on the basis that a consolidated cash flow statement is included in the group accounts.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax. Customer rebates are charged to the profit and loss account in the same period as related sales.

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 and machinery	-	3 to 10 years
Motor vehicles	-	4 years
Office equipment	-	3 to 10 years
Freehold buildings	-	50 years

Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight-line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Taxation

The charge/credit for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Pensions

The parent company operates various defined contribution pension schemes and the pension charge in the profit and loss account represents the amounts payable by the company to these funds in respect of the year.

2 Turnover

Turnover is attributable to one class of business

Turnover is analysed by geographical market as follows:

	2004 £000	6 July 2002 to 30 September 2003 £000
United Kingdom	12,269	12,774
Other European Union	730	1,449
	<u>12,999</u>	<u>14,223</u>

3 Operating loss

The operating loss is stated after charging/(crediting):

	2004 £000	6 July 2002 to 30 September 2003 £000
Depreciation of tangible fixed assets:		
- owned by the company	82	99
- held under finance leases and hire purchase contracts	293	459
- held under mortgage	38	57
Auditors' remuneration	7	5
Auditor's remuneration - non audit services	-	44
Exchange gains	(5)	(11)
Operating lease rentals - plant and machinery	9	7
	<u>9</u>	<u>7</u>

Notes (continued)

4 Directors' emoluments and benefits

	2004 £000	6 July 2002 to 30 September 2003 £000
Emoluments (including benefits in kind)	145	152
Contributions to money purchase schemes	5	25
	<u>150</u>	<u>177</u>
	No.	No.
The number of directors accruing benefits under pension schemes were:		
Money purchase schemes	2	4
	<u>£000</u>	<u>£000</u>
Highest paid director		
Emoluments	61	42
Pension contributions to money purchase schemes	3	23
	<u>64</u>	<u>65</u>

5 Staff costs

Staff costs, including directors' emoluments were as follows:

	2004 £000	6 July 2002 to 30 September 2003 £000
Wages and salaries	1,782	1,738
Social security costs	155	182
Other pension costs	20	36
	<u>1,957</u>	<u>1,956</u>

The average monthly number of employees, including executive directors, during the year was:

	2004 No.	2003 No.
Production	68	61
Selling and distribution	21	7
Administration	18	10
	<u>107</u>	<u>78</u>

Notes (continued)

6 Interest payable and similar charges

	2004 £000	6 July 2002 to 30 September 2003 £000
Bank loans and overdrafts	8	25
Invoice discounting charge	85	114
Finance leases and hire purchase contracts	87	140
Mortgage	104	118
	<u>284</u>	<u>397</u>

7 Taxation

	2004 £000	6 July 2002 to 30 September 2003 £000
UK corporation tax		
Current tax on income for the period	-	-
Deferred tax		
Origination/reversal of timing differences	(26)	(92)
Adjustment in respect of prior periods	(42)	(3)
	<u>(68)</u>	<u>(95)</u>
Tax on loss on ordinary activities	(68)	(95)

The amount of the tax charge for the year is higher (2003: higher) than the standard rate of corporation tax in the UK of 30%.
The differences are explained below.

Loss before taxation	(404)	(494)
Taxation at 30%	(121)	(148)
Expenses not deductible for tax	1	10
Depreciation in excess of capital allowances	27	73
Depreciation on ineligible	5	4
Other timing differences	(1)	2
Utilisation of losses brought forward	-	17
Group relief surrendered for no payment	89	42
	<u>-</u>	<u>-</u>
Current tax charge for the period	-	-

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £000	Motor vehicles £000	Plant and machinery £000	Office equipment £000	Total £000
Cost or valuation					
At 30 September 2003	3,000	176	3,489	197	6,862
Additions	-	77	10	59	146
Disposals	-	(10)	-	-	(10)
At 30 September 2004	3,000	243	3,499	256	6,998
Depreciation					
At 30 September 2003	-	110	1,981	183	2,274
Charge for year	38	36	326	13	413
Eliminated on disposals	-	(15)	-	-	(15)
At 30 September 2004	38	131	2,307	196	2,672
Net book value					
At 30 September 2004	2,962	112	1,192	60	4,326
At 30 September 2003	3,000	66	1,508	14	4,588

The net book value of tangible fixed assets includes an amount of £765,265 (2003: £1,437,000) in respect of assets held under finance leases. Freehold premises are held under a mortgage. The value of land, which has not been depreciated, is £ 1,300,000 (2003: £1,300,000).

On 30 September 2003, the freehold land and buildings were independently revalued by NAI Fuller Peiser, Chartered Surveyors, on an existing use basis. The amounts which would have been included in the financial statements under the historical cost convention were as follows:

	£000
Cost	2,819
Depreciation	(246)
Net book value	2,573

Notes (continued)

9 Stocks

	2004 £000	2003 £000
Raw materials	402	246
Finished stocks	1,035	623
	<u>1,437</u>	<u>869</u>

10 Debtors: amounts falling due within one year

	2004 £000	2003 £000
Trade debtors	3,362	2,788
Amounts owed by group undertakings	24	3
Prepayments and accrued income	73	11
	<u>3,459</u>	<u>2,802</u>

Trade debtors are subject to an invoice discounting agreement.

11 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	282	616
Mortgage loan	114	93
Trade creditors	1,681	1,691
Taxation and social security costs	121	92
Amounts owed to group undertakings	3,959	2,851
Other creditors	2,359	922
Net obligations under finance leases and hire purchase contracts	261	448
Accruals and deferred income	61	342
	<u>8,838</u>	<u>7,055</u>

The bank overdraft is secured on the assets of the company under a standard debenture.

Other creditors include £2,324,000 (£887,000) secured on trade debtors under an invoice discounting agreement.

12 Creditors: amounts falling due after one year

	2004 £000	2003 £000
Mortgage	1,218	1,394
Net obligations under finance leases and hire purchase contracts	46	286
	<u>1,264</u>	<u>1,680</u>

Notes (continued)

13 Loans

	2004 £000	2003 £000
Building society loans		
Within one year	114	93
Between one and two years	114	93
Between two and five years	342	279
After more than five years	762	1,022
	<u>1,332</u>	<u>1,487</u>

The building society loan is repayable by instalments over 25 years to West Bromwich Building Society and currently bears interest at 2% above 3 month LIBOR and is secured on the freehold property.

14 Hire purchase and finance leases

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2004 £000	2003 £000
Within one year	261	448
Between one and five years	46	286
	<u>307</u>	<u>734</u>

Finance leases and hire purchase obligations are secured on the assets concerned.

15 Provisions for liabilities and charges

Deferred tax is analysed as follows:

	ACA's £000	Other timing differences £000	Losses £000	Total £000
At beginning of year	306	(2)	(62)	242
Profit and loss charge/(credit)	(102)	1	33	(68)
	<u>204</u>	<u>(1)</u>	<u>(29)</u>	<u>174</u>
At 30 September 2004	204	(1)	(29)	174

The company's freehold property has been revalued in accordance with FRS 15 *Tangible Fixed Assets*. It is the company's intention to retain the freehold property for the foreseeable future. No potential deferred tax arises from the revaluation.

Notes (continued)

16 Share capital

	Authorised £	Allotted, called up and full paid No.	£
At 30 September 2003 and 30 September 2004:			
Ordinary shares of £1 each	50,000	50,000	50,000
A' ordinary shares of £1 each	21,430	21,430	21,430
9% cumulative redeemable preference shares of 1p each	2,000	-	-
	<u>73,430</u>	<u>71,430</u>	<u>71,430</u>

The 'A' ordinary shares may be converted one for one into ordinary shares at any time when decided by 75% of the holders of the 'A' ordinary shares.

17 Revaluation reserve

	£000
At 30 September 2003	389
Transfer from profit and loss account	-
At 30 September 2004	<u>389</u>

18 Profit and loss account

	£000
At 30 September 2003	(1,243)
Loss for the year	(336)
At 30 September 2004	<u>(1,579)</u>

19 Shareholders' funds

	2004 £000	2003 £000
Shareholders' deficit at 30 September 2003	(718)	(708)
Loss for the year	(336)	(399)
Revaluation of tangible fixed assets in the year	-	389
Shareholders' deficit at 30 September 2004	<u>(1,054)</u>	<u>(718)</u>

Notes (continued)

20 Contingent liabilities

The company has a £10,000 HM Customs and Excise bond.

21 Capital commitments

At 30 September 2004 the company, had no capital commitments (2003: £ Nil).

22 Transactions with related parties

AS Tejani and JA Danton are directors of LPC Group Plc. During the year, transactions with LPC Group Plc and its subsidiary companies were as follows:

	£000
Management charges payable	150
Other management services	120
Goods purchased	5,123
Goods sold	89

The amounts owing to and from group companies are shown in the debtors and creditors notes. In addition, LPC (UK) Limited, a subsidiary of LPC Group Plc, entered into a financing arrangement on behalf of the company for equipment. All costs of this financing have been recharged to the company and the outstanding liability at 30 September 2004 was £231,604.

23 Pension scheme

The parent company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost in note 5 represents contributions payable by the company to these funds for the year. The contributions outstanding at the year end amounted to £3,125.

24 Parent undertaking and controlling parties

The ultimate parent company is LPC Group Plc, a company registered in England and Wales. Copies of its accounts are available from the Registrar of Companies.

The company is controlled by LPC Group Plc and ultimate control lies with the Tejani family.