

Deamas Disposables Limited

**Directors' report and financial
statements**

Registered number 2597710

30 September 2005



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09/09/2006

Directors:	Amirali S Tejani John A Danton Collette Hodgkinson Brian Hayward
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 2005.

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. In order to reduce the cost base, since the year end, the company has made a number of staff redundant, prior to closure of the factory at Redditch and the move of its operations to Leicester. The sale of the site was completed in July 2006 for a gross consideration of £5,650,000.

Results and dividends

The loss for the year, after taxation, amounted to £5,075,000 (2004: £336,000). No dividend is proposed.

Directors and directors' interests

The directors who served during the year were:

AS Tejani
JA Danton
C Hodkinson
Brian Hayward (appointed 12 September 2005)
J McDermott (resigned 7 March 2006)

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.


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 75 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 4 to 14.

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 2, 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 2005 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

8th September 2006.

Profit and loss account
for the year ended 30 September 2005

	<i>Notes</i>	2005 £000	2004 £000
Turnover	2	15,860	12,999
Cost of sales		(16,759)	(10,716)
		<hr/>	<hr/>
Gross (loss)/profit		(899)	2,283
Distribution costs		(2,244)	(1,120)
Administrative expenses		(1,521)	(1,283)
		<hr/>	<hr/>
Operating loss	3	(4,664)	(120)
Interest payable and similar charges	6	(527)	(284)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(5,191)	(404)
Tax on loss on ordinary activities	7	116	68
		<hr/>	<hr/>
Loss for the year	17	(5,075)	(336)
		<hr/>	<hr/>

There are no recognised gains and losses other than the loss for the year. This was generated entirely from continuing operations.

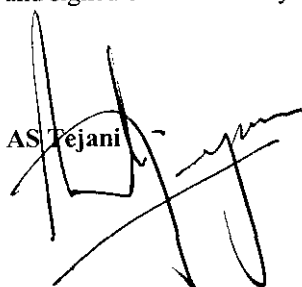
The loss for the year on a historic cost basis is not materially different from that shown above.

Balance sheet
at 30 September 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible	8	4,058	4,326
Current assets			
Stocks	9	1,778	1,437
Debtors	10	4,725	3,459
Cash at bank and in hand		89	-
		<u>6,592</u>	<u>4,896</u>
Creditors: amounts falling due within one year	11	<u>(14,608)</u>	<u>(8,838)</u>
Net current liabilities		<u>(8,016)</u>	<u>(3,942)</u>
Total assets less current liabilities		<u>(3,958)</u>	<u>384</u>
Creditors: amounts falling due after more than one year	12	(2,113)	(1,264)
Provision for liabilities and charges	15	(58)	(174)
Net liabilities		<u>(6,129)</u>	<u>(1,054)</u>
Capital and reserves			
Called up share capital	16	71	71
Share premium account		65	65
Revaluation reserve		389	389
Profit and loss account	17	(6,654)	(1,579)
Equity shareholders' deficit	18	<u>(6,129)</u>	<u>(1,054)</u>

These financial statements were approved by the board of directors on 6th September 2006.
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 20 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:

	2005 £000	2004 £000
United Kingdom	15,621	12,269
Other European Union	239	730
	<u>15,860</u>	<u>12,999</u>

3 Operating loss

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

	2005 £000	2004 £000
Depreciation of tangible fixed assets:		
- owned by the company	64	82
- held under finance leases and hire purchase contracts	343	293
- held under mortgage	46	38
Auditors' remuneration	6	7
Exchange gains	-	(5)
Operating lease rentals – plant and machinery	-	9
	<u>-</u>	<u>9</u>

Notes (continued)

4 Directors' emoluments and benefits

	2005 £000	2004 £000
Emoluments (including benefits in kind)	147	145
Contributions to money purchase schemes	3	5
	<u>150</u>	<u>150</u>

The number of directors accruing benefits under pension schemes were:

	No.	No.
Money purchase schemes	1	2

	£000	£000
Highest paid director		
Emoluments	61	61
Pension contributions to money purchase schemes	-	3
	<u>61</u>	<u>64</u>

5 Staff costs

Staff costs, including directors' emoluments were as follows:

	2005 £000	2004 £000
Wages and salaries	2,295	1,782
Social security costs	183	155
Other pension costs	12	20
	<u>2,490</u>	<u>1,957</u>

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

	2005 No.	2004 No.
Production	72	68
Selling and distribution	23	21
Administration	20	18
	<u>115</u>	<u>107</u>

Notes (continued)

6 Interest payable and similar charges

	2005 £000	2004 £000
Bank loans and overdrafts	36	8
Invoice discounting charge	148	85
Finance leases and hire purchase contracts	170	87
Mortgage	173	104
	<u>527</u>	<u>284</u>

7 Taxation

	2005 £000	2004 £000
UK corporation tax		
Current tax on income for the period	-	-
Deferred tax		
Reversal of timing differences	(116)	(26)
Adjustment in respect of prior periods	-	(42)
	<u>(116)</u>	<u>(68)</u>
Tax on loss on ordinary activities		

The amount of the tax charge for the year is higher (2004: *higher*) than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2005 £000	2004 £000
Loss before taxation	(5,191)	(404)
Taxation at 30%	(1,557)	(121)
Expenses not deductible for tax	1	1
Depreciation in excess of capital allowances	116	27
Depreciation on ineligible	13	5
Other timing differences	-	(1)
Group relief surrendered for no payment	1,427	89
	<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 1st October 2004	3,000	243	3,499	256	6,998
Additions	-	16	82	87	185
At 30 September 2005	3,000	259	3,581	343	7,183
Depreciation					
At 1 October 2004	38	131	2,307	196	2,672
Charge for year	46	44	330	33	453
At 30 September 2005	84	175	2,637	229	3,125
Net book value					
At 30 September 2005	2,916	84	944	114	4,058
At 30 September 2004	2,962	112	1,192	60	4,326

The net book value of tangible fixed assets includes an amount of £ 841,803 (2004: £1,507,391) 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 (2004: £1,300,000).

Depreciation charge for the year on leased assets amounted to £299,000 (2004: £299,000) on plant and machinery and £37,000 (2004: £34,000) on motor vehicles.

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	284
Net book value	2,535

9 Stocks

	2005 £000	2004 £000
Raw materials	603	402
Finished stocks	1,175	1,035
	1,778	1,437

Notes (continued)

10 Debtors: amounts falling due within one year

	2005 £000	2004 £000
Trade debtors	4,384	3,362
Amounts owed by group undertakings	-	24
Other debtors	185	-
Prepayments and accrued income	156	73
	<u>4,725</u>	<u>3,459</u>

Trade debtors are subject to an invoice discounting agreement.

11 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	363	282
Mortgage loan (note 13)	249	114
Trade creditors	3,224	1,681
Taxation and social security costs	64	121
Amounts owed to group undertakings	6,870	3,959
Other creditors	3,762	2,359
Net obligations under finance leases and hire purchase contracts (note 14)	12	261
Accruals and deferred income	64	61
	<u>14,608</u>	<u>8,838</u>

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

Other creditors include £3,682,000 (2004: £2,324,000) secured on trade debtors under an invoice discounting agreement.

12 Creditors: amounts falling due after one year

	2005 £000	2004 £000
Mortgage (note 13)	2,078	1,218
Net obligations under finance leases and hire purchase contracts (note 14)	35	46
	<u>2,113</u>	<u>1,264</u>

Notes (continued)

13 Loans

	2005 £000	2004 £000
Building society loans		
Within one year	249	114
Between one and two years	249	114
Between two and five years	748	342
After more than five years	1,081	762
	<u>2,327</u>	<u>1,332</u>

The building society loan was repayable by instalments over 25 years to West Bromwich Building Society and bore interest at 2% above 3 month LIBOR and was secured on the freehold property. Following the sale of the property in July 2006, the mortgage was repaid.

14 Hire purchase and finance leases

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

	2005 £000	2004 £000
Within one year	12	261
Between one and five years	35	46
	<u>47</u>	<u>307</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 30 September 2004	204	(1)	(29)	174
Profit and loss charge/(credit)	(118)	-	2	(116)
	<u>86</u>	<u>(1)</u>	<u>(27)</u>	<u>58</u>
At 30 September 2005				

Notes (continued)

16 Share capital

	Authorised £	Allotted, called up and full paid No.	£
At 30 September 2004 and 30 September 2005:			
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 Profit and loss account

	£000
At 30 September 2004	(1,579)
Loss for the year	(5,075)
	<u>(6,654)</u>
At 30 September 2005	<u>(6,654)</u>

18 Shareholders' deficit

	2005 £000	2004 £000
Shareholders' deficit at 30 September 2004	(1,054)	(718)
Loss for the year	(5,075)	(336)
	<u>(6,129)</u>	<u>(1,054)</u>
Shareholders' deficit at 30 September 2005	<u>(6,129)</u>	<u>(1,054)</u>

19 Contingent liabilities

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

20 Capital commitments

At 30 September 2005, the company had no capital commitments (2004: £ Nil).

Notes (continued)

21 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	116
Goods purchased	5,261
Goods sold	270
	<hr/>

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 2005 was £Nil (2004: £231,604)

22 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 £2,916 (2004: £3,125)

23 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.

24 Post balance sheet events

Since the end of the financial year the directors have decided to close the Redditch site and to relocate the business to Leicester. In July 2006 the group sold the site for a gross consideration of £5,650,000. The directors anticipate that the surplus generated from disposal of the site will exceed the costs of closure.