

Deamas Disposables Limited

Annual report and financial statements
for the year ended 30 September 2006

Registered number 2597710

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Deamas Disposables Limited

Annual report and financial statements for the year ended 30 September 2006

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Deamas Disposables Limited

Directors and advisors for the year ended 30 September 2006

Directors

Amirali S Tejan
John A Danton
Brian Hayward

Secretary

I D Waring

Registered office

Waterside Road
Hamilton Industrial Park
Leicester
LE5 1TZ

Independent auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

Lloyds TSB Bank Plc
125 Colmore Row
Birmingham
B3 2DS

Deamas Disposables Limited

Directors' report for the year ended 30 September 2006

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

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 continue to disappoint, the directors remain optimistic about the future. During the year the company's operations were moved to Leicester and the sale of the Redditch site was completed in July 2006.

An assessment of the key business and financial risks of the company has been completed on a group wide basis and further information is disclosed in the directors report for LPC Group Plc.

Results and dividends

The loss for the year, after taxation, amounted to £1,461,000 (2005 £5,075,000). No dividend is proposed.

Directors and directors' interests

The directors who served during the year were

A S Tejanı	
J A Danton	
C Hodgkinson	(resigned 31 August 2006)
Brian Hayward	
J McDermott	(resigned 7 March 2006)

There are no share interests requiring disclosure. The interests of A S Tejanı and J A 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 (2005 75 days) worth of supplies invoiced during the year.

Deamas Disposables Limited

Directors' report for the year ended 30 September 2006 (continued)

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.

Changes in accounting policy

The company has considered new accounting standards introduced for this year end and has adopted Financial Reporting Standard (FRS) 21 'Events after the balance sheet date' and FRS 25 'Financial instruments disclosure and presentation', in these financial statements. The adoption of these standards represents a change in accounting policy.

There is no effect on the financial statements as a result of the change in accounting policy to adopt FRS 21 or FRS 25.

Information for auditors

The directors have taken all applicable steps in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the company's auditors are not aware.

Auditors

KPMG resigned as auditors on 20 November 2006 and PricewaterhouseCoopers LLP were appointed in their stead on the same date.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers 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

19 October 2007

Independent auditors' report to the members of Deamas Disposables Limited

We have audited the financial statements of Deamas Disposables Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Profit and Loss Account on historical basis, 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

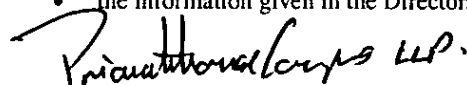
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 30 September 2006 and of its loss 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
Birmingham

19 October 2007.

Deamas Disposables Limited

Profit and loss account for the year ended 30 September 2006

		2006	2005
	Notes	£'000	£'000
Turnover	2	14,323	15,860
Cost of sales		(13,816)	(16,759)
Gross profit/(loss)		507	(899)
Distribution costs		(2,381)	(2,244)
Administrative expenses		(1,977)	(1,521)
Other operating income		70	-
Operating loss	3	(3,781)	(4,664)
Profit on disposal of fixed assets		2,556	-
Interest receivable and similar income		5	-
Interest payable and similar charges	6	(299)	(527)
Loss on ordinary activities before taxation		(1,519)	(5,191)
Tax credit on loss on ordinary activities	7	58	116
Loss for the financial year	17	(1,461)	(5,075)

The 2006 operating loss is stated after an exceptional charge of £253,000 (2005 £nil)

The above results derive from continuing activities. There are no recognised gains and losses other than the loss for the year.

Deamas Disposables Limited

Profit and loss account on historical cost basis for the year ended 30 September 2006

	2006	2005
	£000	£000
Loss on ordinary activities before taxation		
As reported in the profit and loss account	(1,519)	(5,191)
Transfer from revaluation reserve	389	-
Historical cost loss on ordinary activities before taxation	(1,130)	(5,191)
Historical cost loss for the year retained after taxation	(1,072)	(5,075)

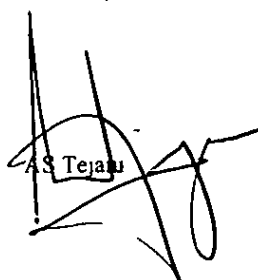
Deamas Disposables Limited

Balance sheet as at 30 September 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible fixed assets	8	554	4,058
Current assets			
Stocks	9	1,677	1,778
Debtors amounts falling due within one year	10	2,259	4,725
Cash at bank and in hand		1,093	89
		5,029	6,592
Creditors amounts falling due within one year	11	(13,149)	(14,608)
Net current liabilities		(8,120)	(8,016)
Total assets less current liabilities		(7,566)	(3,958)
Creditors amounts falling due after more than one year	12	(24)	(2,113)
Provision for liabilities and charges	15	-	(58)
Net liabilities		(7,590)	(6,129)
Capital and reserves			
Called up share capital	16	71	71
Share premium account		65	65
Revaluation reserve		-	389
Profit and loss account	17	(7,726)	(6,654)
Total shareholders' deficit	18	(7,590)	(6,129)

These financial statements were approved by the board of directors on 19 October 2007 and signed on its behalf by

AS Teja



Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006

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 and The Companies Act 1985. The accounts have been prepared on a going concern basis having regard to the support of the parent company.

The company has considered new accounting standards introduced for this year end and has adopted Financial Reporting Standard (FRS) 21 'Events after the balance sheet date' and FRS 25 'Financial instruments disclosure and presentation', in these financial statements. The adoption of these standards represents a change in accounting policy.

There is no effect on the financial statements as a result of the change in accounting policy to adopt FRS 21.

There is no effect on the accounting entries as a result of the change in accounting policy to adopt the presentation requirements of FRS 25, however this change has resulted in additional disclosures relating to financial risk management in the directors report of LPC Group Plc.

Cash flow exemption

The company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 'Cash flow statements' because it is a wholly owned subsidiary and is included within the consolidated financial statements of LPC Group plc which are publicly available.

Turnover

Turnover comprises the 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 as incurred.

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

1 Accounting policies (continued)

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. Damaged or defective stock is excluded from the stock valuation.

Foreign currencies

Monetary 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.

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:

	2006	2005
	£000	£000
United Kingdom	13,648	15,621
Other European Union	675	239
	14,323	15,860

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

3 Operating loss

The operating loss is stated after charging/(crediting)

	2006	2005
	£000	£000
Depreciation of tangible fixed assets		
- owned by the company	447	64
- held under finance leases and hire purchase contracts	-	343
- held under mortgage	-	46
Auditors' remuneration	20	6
Exchange gains	(9)	-
Exceptional item	253	-

The current year exceptional item was redundancy costs incurred on the closure of Redditch site following relocation from Redditch to Leicester

The tax rate applicable to this exceptional item is 30%

4 Directors' emoluments and benefits

	2006	2005
	£000	£000
Emoluments (including benefits in kind)	152	147
Contributions to money purchase schemes	3	3
	155	150

	No.	No.
The number of directors accruing benefits under pension schemes were		
Money purchase schemes	1	1

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

4 Directors' emoluments and benefits (continued)

	£000	£000
Highest paid director		
Emoluments	55	61
Pension contributions to money purchase schemes	3	-
	58	61

5 Staff costs

Staff costs, including directors' emoluments were as follows

	2006	2005
	£000	£000
Wages and salaries	2,378	2,295
Social security costs	200	183
Other pension costs	12	12
	2,590	2,490

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

	2006	2005
	No.	No.
Production	76	72
Selling and distribution	22	23
Administration	20	20
	118	115

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

6 Interest payable and similar charges

	2006	2005
	£000	£000
Bank loans and overdrafts	-	36
Invoice discounting charge	168	148
Finance leases and hire purchase contracts	8	170
Mortgage	123	173
	299	527

7 Tax credit on loss on ordinary activities

	2006	2005
	£000	£000
UK corporation tax		
Current tax on income for the year	-	-
Deferred tax		
Reversal of timing differences	(58)	(116)
Tax credit on loss on ordinary activities	(58)	(116)

The amount of the tax charge for the year is higher (2005 higher) than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006	2005
	£000	£000
Loss before taxation	(1,519)	(5,191)
Taxation at 30%	(456)	(1,557)
Expenses not deductible for tax	6	14
Capital allowances less than depreciation	140	116
Capital transactions	(22)	-
Group relief surrendered for no payment	332	1,427
Current tax charge for the year	-	-

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

8 Tangible fixed assets

	Freehold land and buildings	Motor vehicles	Plant and machinery	Office equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1st October 2005	3,000	259	3,581	343	7,183
Additions	-	10	9	55	74
Disposals	(3,000)	(97)	(876)	(6)	(3,979)
At 30 September 2006	-	172	2,714	392	3,278
Depreciation					
At 1 October 2005	84	175	2,637	229	3,125
Charge for year	34	40	312	61	447
Elimination on disposal	(118)	(97)	(627)	(6)	(848)
At 30 September 2006	-	118	2,322	284	2,724
Net book value					
At 30 September 2006	-	54	392	108	554
At 30 September 2005	2,916	84	944	114	4,058

The net book value of tangible fixed assets includes an amount of £609,000 (2005 £841,803) in respect of assets held under finance leases

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

9 Stocks

	2006	2005
	£000	£000
Raw materials	463	603
Finished stocks	1,214	1,175
	1,677	1,778

10 Debtors: amounts falling due within one year

	2006	2005
	£000	£000
Trade debtors	1,964	4,384
Other debtors	-	185
Prepayments and accrued income	295	156
	2,259	4,725

Trade debtors are subject to an invoice discounting agreement

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

11 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank overdraft	187	363
Bank loans and other borrowings (note 13)	1,431	3,931
Trade creditors	2,468	3,224
Taxation and social security costs	820	64
Amounts owed to group undertakings	8,183	6,870
Other creditors	29	80
Net obligations under finance leases and hire purchase contracts (note 14)	11	12
Accruals and deferred income	20	64
	13,149	14,608

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

12 Creditors: amounts falling due after one year

	2006	2005
	£000	£000
Mortgage (note 13)	-	2,078
Net obligations under finance leases and hire purchase contracts (note 14)	24	35
	24	2,113

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

13 Bank Loans and other borrowings

	2006	2005
	£000	£000
Building society loan and asset based lending		
Within one year	1,431	3,931
Between one and two years	-	249
Between two and five years	-	748
After more than five years	-	1,081
	1,431	6,009

Included within bank loans due within one year are £1,431,000 (2005 £3,682,000) secured on trade debtors under an invoice discounting agreement

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

	2006	2005
	£000	£000
Within one year	11	12
Between one and five years	24	35
	35	47

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

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

15 Provisions for liabilities and charges

Deferred tax is analysed as follows

	Accelerated capital allowances	Other timing differences	Losses	Total
	£000	£000	£000	£000
At 30 September 2005	86	(1)	(27)	58
Profit and loss charge/(credit)	(86)	1	27	(58)
At 30 September 2006	-	-	-	-

The company has an immaterial unprovided deferred tax asset

16 Called up share capital

	Authorised £	Allotted, called up and fully paid No.	£
At 30 September 2005 and 30 September 2006.			
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	-	-
	73,430	71,430	71,430

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 2005	(6,654)
Loss for the financial year	(1,461)
Revaluation transfer	389
At 30 September 2006	(7,726)

Deamas Disposables Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

18 Reconciliation of movements in total shareholders' deficit

	2006	2005
	£000	£000
Total shareholders' deficit at 30 September 2005	(6,129)	(1,054)
Loss for the financial year	(1,461)	(5,075)
Total shareholders' deficit at 30 September 2006	(7,590)	(6,129)

19 Contingent liabilities

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

20 Transactions with related parties

AS Tejanı 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

The amounts owing to and from group companies are shown in the debtors and creditors notes

21 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 £284 (2005: £2,916).

22 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 Tejanı family.