Registered number 934776

CeDo Limited

Annual report and financial statements
for the year ended 31 December 2006

Company Information

Registered office
Halesfield 11
Telford
Shropshire
TF7 4LZ

Auditors
Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Principal bankers
Deutsche Bank AG
6-8 Bishopsgate
London
EC2P 2AT

ING Bank NV
60 London Wall
London
EC2M 5TQ

HSBC Bank Plc
Exchange Buildings
8 Stevenson Place
Birmingham
B24NH

HSBC Trinkhaus Burkhardt
Postfach 101108,
40002 Düsseldorf

Solicitors
Dechert LLP
160 Queen Victoria Street London
EC4V 4QQ

Directors' Report

The directors present their annual report and the financial statements of the company for the year ended 31 December 2006

Results and dividends

The net profit for the year 2006 amounted to £127,000 (2005 loss of £1,088,000) Due to the fact that 2006 has been the first year closed with a profit position, no dividend related to 2006 was proposed or paid

Principal activities

The principal activity of the company continues to be the manufacturing and supply of household consumer disposables

Business review

a) General performance of the business

The profit improvement measures applied in 2005 allowed the company to achieve a net profit in 2006 for the first time [for the last few years] since 2002 The company continues to successfully serve its customers and achieved a level of return acceptable by shareholders The cash flow situation has significantly improved, partly due to returning to profitability and partly due to a more efficient working capital operation The shareholders of the company have resolved to change the company's financing structure by injecting cash and reducing bank indebtness, which has significantly improved the debt to equity ratio and has contributed to the significant reduction in the net current liabilities position recorded within the balance sheet

b) Performance during the year and business KPI

The table below summarises the main company KPI's for the last three years

Business KPI's development	**2006**	**2005**	**2004**
Revenue (£'000)	57,610	55,461	57,429
Growth %	*3 9%*	*-3 4%*	*N/A*
Operating profit / (loss) (£'000)	1,234	(1,291)	(2,690)
Operating profit %	*2%*	*-2%*	*-5%*
Working capital (£'000) (*)	2,022	3,666	7,036
Working capital days	13	24	44

(*) Note that working capital excludes bank liabilities and other creditors

The revenue growth has been moderate in 2006, as the directors' main focus was on regaining the profitability by recovering material cost increases and reducing operating cost

Over the last three years the company has experienced a turnaround from an operating loss of £2 7m (-5% of revenue) to an operating profit of £1 2m (2% of revenue), in spite of impairment charges of £0 7m included in the result for 2006 The operating profit excluding impairment charges would have amounted to £1 9m

Directors' Report (continued)

The directors have tightened working capital management through extensive utilisation of trade credit, more efficient stock management and more effective collection of accounts receivable As a result the working capital cycle has shortened from 44 days in 2004 to 12 days in 2006

c) Operating profit – non recurring items

The profit is stated after an impairment charge amounting to £726,500 being the result of an extensive fixed asset review carried out in 2006

d) Risks and uncertainties

The principal risks and uncertainties the company is considered to be facing are summarised below

- Raw material prices the components used by the company are polyethylene based commodities, whose prices are highly dependent on oil prices, currency rates and global supply and demand balance, and in consequence are highly volatile The ability to mitigate and recover raw material cost increases is vital for existence of the business
- Business concentration the company is dependent on a number of key customers and suppliers It is crucial to maintain an excellent service and relationship with existing customers, invest in product / customer portfolio growth and expanding the supplier base
- Capacity utilisation and control of operating costs due to a significant fixed cost level, the company relies on its ability to keep the manufacturing plant highly utilised and reduce operating costs by ever strengthening efficiency measures

Research and development

Research and development work has been concentrated around improving production efficiencies and thus reducing manufacturing cost base All costs involved are charged immediately against the profit and loss account

Future Prospects

The directors do not expect any significant change in the nature of the company's activities A number of initiatives aimed at expanding the business are continuing In order to remain competitive against foreign producers, building on strong cash position, it has been resolved to undertake a number of automation investments

Directors and their interests

The directors who served during the year were as follows

Dr Christian Goeseke
Mr Bjørn Arild Hoem
Mr David James Pearce

None of the directors had interests in the issued share capital of the company or in the shares of any other group companies

Employment policy

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue whenever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons The company continued its policy of communication and consultation through employee involvement in management advisory committees and regular information meetings

Directors' Report (continued)

Environment

The activities undertaken by the company have low impact on environment and are managed in a way that minimises as much as practicable such impact Any business risks related to environmental issues are being proactively managed The company actively encourages its customers to use environment friendly solutions and works on development of such product ranges

Creditors' payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with At 31 December 2006 the company had an average of 56 days purchases outstanding in trade creditors (2005 59 days)

Increase in share capital

During the year the authorised share capital was increased from £3,000,000 to £3,000,001 by the creation of one ordinary share of £1 each which was issued to the company's shareholder on 20 December 2006 for the cash consideration of £5,600,000

Sale of investment in CeDo SA

On 13 March 2006 the company resolved to increase its investment in subsidiary undertaking CeDo SA (incorporated and registered in France) and purchased 148,036 new shares at nominal value of €16 each (in total €2,368,576 00, equivalent of £1,609,633 71 at the exchange rate prevailing in the month of transaction) The capital increase for CeDo SA has been registered by French authorities on 6 June 2006

On 20 December 2006 the company has sold the entire investment for the proceeds of £1,856,308 71 (book value at the moment of sale amounted to £1,856,301 71) to its parent company, CeDo Folien und Haushaltsprodukte GmbH

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditors

In accordance with s 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as auditor of the company

This Directors' Report has been approved by the Board

On behalf of the Board
David Pearce
Managing Director

Date 23/4/07

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 law) The financial statements are required by law to 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 period In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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

Independent Auditor's report

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 21 These financial statements have been prepared under the accounting policies set out therein

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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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)

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 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 and the information contained therein is consistent with the financial statements

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
Birmingham

Date 2nd May 2007

Profit and Loss Account

For the year ended 31 December 2006

£'000	Notes	2006	2005 *As restated**
Turnover	2	57,610	55,461
Cost of sales		(48,349)	(49,709)
Gross profit		**9,261**	**8,390**
Distribution costs		(1,450)	(1,417)
Administrative expenses		(6,577)	(5,626)
Operating profit / (loss)	**3**	**1,234**	**(1,291)**
Interest payable and similar charges	6	(1,107)	(1,370)
Profit / (loss) on ordinary activities before taxation		**127**	**(2,661)**
Tax on profit/(loss) on ordinary activities	7	-	1,573
Net profit / (loss) retained for the year and attributed to the members	**16**	**127**	**(1,088)**

All activities derive from continuing operations

There are no recognised gains or losses for the current and preceding financial year other than as stated in the profit and loss account

* *Restated to classify discounts against turnover and carriage in as cost of sales rather than distribution costs*

Balance Sheet

At 31 December 2006

£'000	Notes	2006	2005
Fixed assets			
Tangible fixed assets	8	7,719	10,479
Investments	9	-	247
		7,719	**10,726**
Current assets			
Stocks	10	5,152	6,192
Debtors	11	6,936	8,009
Cash at bank and in hand	12	4,005	-
		16,093	**14,201**
Creditors Amounts falling due within one year	13	(16,102)	(23,437)
Net current liabilities		**(9)**	**(9,236)**
Total assets less current liabilities		**7,710**	**1,490**
Provisions for liabilities	14	(1,015)	(522)
Total net assets		**6,695**	**968**
Capital and reserves			
Called-up share capital	15	3,000	3,000
Share premium account	16	5,600	-
Profit and loss account	16	(1,905)	(2,032)
Equity shareholders' funds	**16**	**6,695**	**968**

The financial statements have been approved by the Board of Directors

On behalf of the Board
David Pearce
Managing Director

Date

23/4/07

Notes to the financial statements

1 Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and applicable UK accounting standards

The company is exempt by virtue of s 228 of the Companies Act 1985 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group The results of the company are consolidated into those of Delton AG, a company incorporated in Germany

Going concern
The financial statements have been prepared on a going concern basis as the directors have obtained indication from CeDo Folien und Haushaltsprodukte GmbH, a parent undertaking that sufficient finance will be available if required, for a period of at least 12 months from the date these financial statements are signed, to meet any obligations as they fall due

Cash flow statement
Under FRS 1 (Revised) the company is exempt from the requirements to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the cash flows of the company within its own published consolidated financial statements

Related party transactions
As 100% of the company's voting rights are controlled within the group headed by Delton AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any impairment Depreciation is provided on all tangible fixed assets so as to write-off the cost, less estimated residual value, on a straight line basis over the estimated useful lives at the following rates

Short leasehold properties and improvements	Period of lease
Plant and machinery	10% - 33% per annum
Equipment, fixtures and fittings	5% - 20% per annum
Computer equipment	20% - 50% per annum

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Investments
Investments are shown at cost or valuation less any impairment

Stocks and work in progress
Stocks and work in progress are valued at the lower of cost and net realisable value Cost includes material expenditure based on a weighted average purchase price and an appropriate proportion of fixed and variable overheads

1. **Accounting policies (continued)**

Research and development
Expenditure on research and development is written off against the results of the period in which the expenditure is incurred

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date

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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pensions
The company operates a defined contribution pension scheme for the benefit of its employees The assets of the scheme are held separately from those of the company in an independently administered fund The annual pension cost charged in the profit and loss account reflects the contributions payable to the scheme by the company

Foreign exchange
Monetary assets and liabilities denominated 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 rates of exchange ruling at the dates of the transactions All profits and losses on exchange are dealt with in the profit and loss account

Leasing and hire purchase commitments

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Turnover

Turnover is stated net of value added tax and any customer rebates and is attributable to the one principal continuing activity, being the manufacture and supply of household consumer disposables

2. Turnover

An analysis of turnover by geographical market is given below

£ '000	2006	2005
UK	52,207	53,771
EC	5,403	3,078
Total	**57,610**	**56,849**

3. Operating Profit / (Loss)

Operating loss is stated after charging

£ '000	2006	2005
Auditor's remuneration - audit services	42	42
Auditor's remuneration – tax & legal services	9	5
Operating lease property rental charges	1,259	1,192
Operating lease plant and machinery rental charges	224	163
Foreign currency exchange (profit) / loss	(108)	105
Depreciation – owned assets	2,230	2,342
Fixed asset impairment charges	727	-
(Profit) / loss on disposal of fixed assets	(100)	142

4. Directors' emoluments

The director's emoluments amounted to £194,000 (2005 £148,000) including pension contributions of £10,000 (2005 £11,000) One director has participated in the company pension scheme (2005 one director)

5. Staff costs

£ '000	2006	2005
Wages and salaries	7,313	7,507
Social security costs	742	750
Other pension costs	149	169
Total	**8,204**	**8,426**

5. Staff costs (continued)

The average number of persons employed by the company (including directors) during the year was

No	2006	2005
Management	1	1
Administrative	20	18
Production	267	289
Selling	18	22
Total	**306**	**330**

6 Interest payable and similar charges

£'000	2006	2005
On bank loans and overdrafts		
Repayable within five years	1,107	1,370
Total	**1,107**	**1,370**

7 Tax on loss on ordinary activities

A Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows

£'000	2006	2005
Current tax		
UK Corporation tax	-	-
Adjustments in respect of prior period	-	-
Deferred tax		
Origination and reversal of timing differences	-	271
Increase in estimate of recoverable tax asset	-	1,302
Total deferred tax	**-**	**1,573**
Tax on profit/(loss) on ordinary activities	**-**	**1,573**

The company is recognising deferred tax asset on losses carried forward to the extent of deferred tax liabilities (accelerated capital allowances) existing on the balance sheet On the basis of the projection of future operating profits and timing of reversal of the aforementioned liability directors of the company believe that there exist suitable profits against which the tax asset will be realised

7 Tax on loss on ordinary activities (continued)

B Factors affecting the tax charge for the year

The tax charge on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

£'000	2006	2005
Profit / (loss) on ordinary activities before tax	127	(2,661)
Profit (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	38	(798)
Effects of		
Expenses not deductible for tax purposes	11	-
Depreciation for the period in excess of capital allowances	379	271
Group relief	-	-
Adjustments with respect to previous periods	-	(104)
Unrelieved tax losses carried (utilised) / forward	(428)	631
Current tax charge for year (note 7A)	-	-

C Factors that may affect future tax charges

There are unrecognised tax losses carried forward as at 31 December 2006 of £3,972,000 (2005 £5,355,000)

£'000	2006	2005
Accelerated capital allowances	846	1,302
Unrelieved tax losses carried forward for use in future periods	(846)	(1,302)
Provision for deferred tax	-	-

8 Tangible fixed assets

£ '000	Short leasehold properties and improvements	Plant and Machinery	Fixture and Fittings	Total
Cost				
At 1 January 2006	629	31,325	7,314	39,268
Additions	210	286	21	517
Disposals	-	(2,320)	(24)	(2,344)
At 31 December 2006	**839**	**29,291**	**7,311**	**37,441**
Depreciation				
At 1 January 2006	404	23,634	4,751	28,789
Charge for the year	35	1,559	636	2,230
Impairment charge during the year	-	727	-	727
Disposals	-	(2,004)	(20)	(2,024)
At 31 December 2006	**439**	**23,916**	**5,367**	**29,722**
Net book value				
At 1 January 2006	225	7,691	2,563	10,479
At 31 December 2006	**400**	**5,375**	**1,944**	**7,719**

9 Fixed asset investments

£'000	CeDo SA
Cost	
Acquisition cost as at 1 January 2006	1,976
Additions	1,609
Disposals	(3,585)
At 31 December 2006	**-**
Impairment	
Provision as at 1 January 2006	1,729
Release on disposal of investment	(1,729)
At 31 December 2006	**-**
Net book value	
At 1 January 2006	247
At 31 December 2006	**-**

9 Fixed asset investments (continued)

On 13 March 2006 the company resolved to increase its investment in subsidiary undertaking CeDo SA (incorporated and registered in France) and purchased 148,036 new shares at nominal value of €16 each (in total €2,368,576 00, equivalent of £1,609,633 71 at the exchange rate prevailing in the month of transaction) The capital increase for CeDo SA was registered by French authorities on 6 June 2006

On 20 December 2006 the company has sold the entire investment for the proceeds of £1,856,308 71 (book value at the moment of sale amounted to £1,856,301 71) to its parent company, CeDo Folien und Haushaltsprodukte GmbH

10 Stocks

£'000	2006	2005
Raw materials and consumables	1,924	2,242
Work-in-progress	-	-
Finished goods and goods for resale	3,228	3,950
Total	**5,152**	**6,192**

The directors do not consider that there is a material difference between the balance sheet value of stocks and their replacement cost

11. Debtors

£'000	2006	2005
Trade debtors	5,884	5,738
Amounts owed by parent and fellow subsidiary undertakings	541	1,846
Other debtors	135	138
Prepayments and accrued income	376	287
Total	**6,936**	**8,009**

12 Cash

£'000	2006	2005
Current account balance	3,975	-
Deposits	30	-
Total	**4,005**	**-**

13 Creditors amounts falling due within one year

£'000	2006	2005
Bank overdraft (unsecured)	-	1,949
Bank loans (unsecured)	4,600	9,500
Trade creditors	7,707	8,116
Amounts owed to parent and fellow subsidiary undertakings	536	960
Other taxes and social security costs	1,310	1,291
Other creditors	126	162
Accruals and deferred income	1,823	1,459
Total	**16,102**	**23,437**

14 Provision for liabilities

The movements in provisions during the current year are as follows

£'000	Onerous Lease Provisions
At 1 January 2006	522
Additional provision in the year	616
Utilised during the year	(104)
Amounts released to P&L account	(19)
At 31 December 2006	**1,015**

15 Called-up share capital

	2006	2005
Authorised, allotted, called up and fully paid		
Number of ordinary shares (£1 each)	3,000,001	3,000,000
Value of ordinary shares (in £ '000)	**3,000**	**3,000**

16 Reconciliation of movements on shareholders' funds

£'000	Share Capital	Share Premium	Profit And Loss	Total
At 1 January 2005	3,000	-	(944)	2,056
Retained loss for the year	-	-	(1,088)	(1,088)
At 31 December 2005	**3,000**	**-**	**(2,032)**	**968**
Retained profit for the year	-	-	127	127
Capital Increase	-	5,600	-	5,600
At 31 December 2006	**3,000**	**5,600**	**(1,905)**	**6,695**

On 20 December 2006 the company's shareholder decided to increase its investment in the company It was resolved that the company issues one share of nominal value £1, increasing its authorised share capital to £3,000,001 The share has been allotted to CeDo Households Products Ltd for cash consideration of £5,600,000 The monies have been fully paid

17 Capital expenditure

The board has authorised but not yet contracted for capital expenditure commitments of £287,000 as at 31 December 2006 (2005 - £170,000)

18 Guarantees and contingent liabilities

£'000	2006	2005
Bank guarantee on behalf of CeDo NV, Belgium	375	375
Cross company guarantee on behalf of CeDo Shanghai	176	176
Cross company guarantee on behalf of CeDo Polska	697	697
Guarantee provided to assigned lessee	95	95
VAT & Duty Deferrement Guarantee to HMRC	300	200
Total	**1,548**	**1,543**

The company is a member of the CeDo VAT group in the UK It is therefore jointly and severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT There is no exposure regarding unpaid VAT as at 31 December 2006 (2005 £nil)

19 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £149,000 (2005 - £169,000)

Contributions amounting to £28,000 (2005 - £35,000) were payable to the fund at 31 December 2006 and are included in other creditors

20. Leasing commitments

At the balance sheet date the commitments of the company under operating leases were as follows

	Land & Buildings		Other	
£'000	**2006**	**2005**	**2006**	**2005**
Expiry Date				
Within one year	16	89	7	19
Between two and five years	-	54	139	142
After five years	1,243	1,049	-	-
Total	**1,259**	**1,192**	**146**	**161**

21 Parent undertaking and controlling party

The company's immediate parent undertaking is CeDo Household Products Limited The directors regard Delton AG, a company incorporated in Germany, as the ultimate parent company Delton AG is a private company solely owned and ultimately controlled by Mr Stefan Quandt

Delton AG is the parent company of both the smallest and largest group of which the company is a member for which group financial statements are drawn up Copies of the financial statements are available from the company Secretary, CeDo Household Products Limited, Halesfield 11, Telford, Shropshire TF7 4LZ

As a subsidiary undertaking of Delton AG, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Delton AG