CLONDALKIN INDUSTRIES B.V.

ANNUAL REPORT

For the year ended

31 December 2006

CLONDALKIN INDUSTRIES B.V.

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CLONDALKIN INDUSTRIES B.V.

COMPANY INFORMATION

Executive Directors	Marinus Ditzel Colman O'Neill John Voetman (resigned 1 January 2006) Jim Farrell (appointed 9 March 2006)
Auditors	Deloitte Accountants B.V. Orlyplein 50, 1040 HC Amsterdam, The Netherlands.
Registered Office	Clondalkin Industries B.V. Raadhuisstraat 15, 1016 DB Amsterdam, The Netherlands.
Chamber of Commerce Number	34200845

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CLONDALKIN INDUSTRIES B.V.

REPORT OF THE EXECUTIVE BOARD

Review of the Business

Clondalkin Group Holdings B.V. is the 100% shareholder of Clondalkin Industries B.V. which together with its subsidiaries ("Clondalkin") is an international producer of flexible and specialist packaging products, with operations in Europe and the United States of America.

Clondalkin supplies packaging products to a diversified customer base in the food and beverage, consumer products, industrial, healthcare, agricultural and the services and distribution sectors. These products are produced by converting a wide variety of raw materials including polymer resins, paper, paperboard and aluminium foil by a range of manufacturing processes including extrusion, laminating, lacquering, metalizing, printing, slitting and die cutting. In 2006, the average number of employees was 3,908. We divide these businesses into two main business segments; namely flexible packaging and specialist packaging.

The flexible packaging businesses, which represented 71.8% of 2006 sales, manufacture products including lids and seals for dairy product containers, papers and tobacco packaging products, flower sleeves, agricultural produce bags, wraps and other similar products designed for the hospital and healthcare markets, the food and delicatessen markets and the services and janitorial markets.

The specialist packaging businesses, which represented 28.2% of 2006 sales, manufacture products including folding cartons, labels and leaflets, paper bags and sacks, direct mail, business systems and commercial print materials for the pharmaceutical and healthcare, cosmetics, hospital care, fast moving consumer goods and industrial markets.

Clondalkin Group Holdings B.V. is the 100% shareholder of Clondalkin Industries B.V.. Warburg Pincus Private Equity VIII L.P., Warburg Pincus International Partners L.P. and affiliates (collectively "Warburg Pincus") are the majority shareholders' in Clondalkin Group Holdings B.V., holding approximately 85.6% of the issued ordinary share capital, equivalent to 82.5% of the fully diluted ordinary share capital in the Company, taking into account options and rights over shares reserved for future issuance to management. The management of Clondalkin Group Holdings B.V. and its subsidiaries own approximately 14.4% of the issued ordinary share capital of the Company which increases to 17.5% subject to the rights and options over ordinary share capital in the Company being taken up by management.

Warburg Pincus is a global leader in the Private Equity industry. Since 1971, Warburg Pincus has invested approximately $25 billion in more than 550 companies in 30 countries, spanning the corporate investment spectrum from early phase start up to critical mass development to international expansion.

Results of Clondalkin Industries B.V. for the year ended 31 December 2006

Introduction and overview

In the opinion of the executive directors the Clondalkin profit from operations of €59.2 million (2005: €69.5 million) on sales of €763.0 million (2005: €724.3 million) for the year ended 31 December 2006 is a satisfactory result. As in prior years, Clondalkin benefited from its wide diversification of activities in the flexible and specialist packaging markets. The 2005 results include €12.5 million profit on disposal of surplus properties compared to €2.9 million in 2006 and this explains most of the profit from operations decrease in 2006 compared to 2005. The year to year comparative results are commented upon in further detail below.

Pharmagraphics acquisition

On 12 April 2006, Clondalkin purchased 100% of the share capital of Westlake Industries Inc. and acquired certain assets and liabilities of its affiliated companies, all together which comprised the business of the Pharmagraphics Group ("Pharmagraphics"). Pharmagraphics is headquartered in Greensboro, North Carolina and produces cartons, labels, leaflets and inserts mainly for the pharmaceutical and healthcare markets from five manufacturing locations in North America and reported revenues for the year ended 31 December 2005 of $44.7 million, operating income of $2.8 million and EBITDA of $5.2 million.

The acquisition consideration, before expenses, to acquire the businesses on a debt free basis was $35.5 million. The acquisition was funded by drawing down $36.5 million (equivalent to €30.1 million) from the €100 million Acquisition Facility provided by Clondalkin's Senior Bank Lenders.

The results of Pharmagraphics are consolidated from the date of acquisition on 12 April 2006.

REPORT OF THE EXECUTIVE BOARD

Results of Clondalkin Industries B.V. for the year ended 31 December 2006 (continued)

Flexible Packaging

Flexible packaging revenues increased by €16.8 million, up by 3.2%, from €531.0 million in the year ended 31 December 2005 to €547.8 million in year ended 31 December 2006. The increase is primarily attributable to:

- Revenues in our plastic packaging businesses increased by €17.0 million due mainly to higher selling prices prompted by increased resin costs and to a lesser extent due to increased value added content in our sales mix; whereas volumes were down approximately 6.3% in 2006 compared to 2005; and

- An increase in revenues in our foils and laminate businesses, up €2.5 million in 2006 compared to 2005, due mainly to higher raw material costs and also increased activity.

- These increases were off set by weaker foreign currency exchange translation rates, mainly the weaker U.S. dollar translation rate against the euro in 2006 compared to the corresponding prior year exchange rates which caused revenues to decrease by €2.7 million.

The profit from operations reported by our flexible packaging businesses decreased by 1.5%, from €48.5 million in the year ended 31 December 2005 to €47.8 million in the year ended 31 December 2006, equivalent to a decrease of €0.7 million. The €0.7 million decrease reflects a €1.8 million decrease in profit from operations in our foils and laminates businesses. This decrease is mainly due to one off production disruption issues in the second half of the year. These issues were resolved in the final quarter of the year. Also weaker foreign currency translation rates caused operating profits to decrease by €0.2 million.

These decreases were offset by an increase in profit from operations of €1.3 million in our plastic packaging businesses reflecting efficiency gains and increased value added in our product mix, both in our United States and European businesses, as new products prompted by our investments in new technologies gained increasing market penetration as the year progressed.

Specialist Packaging

Specialist packaging revenues at €215.3 million in the year ended 31 December 2006 are up €22.0 million, equivalent to an 11.4% increase on revenues of €193.3 million in the year ended 31 December 2005. The increase is primarily attributable to:

- Acquisition effects caused revenues to increase by €28.8 million; and

- Business gains achieved in our print businesses caused revenues to increase by €0.6 million.

- These increases were offset by reduced activity mainly in our European carton businesses and also our United Sates non pharmaceutical specialist packaging businesses which caused revenues to decrease by €6.6 million; and

- Weaker foreign currency exchange translation rates for the year ended December 31, 2006 compared to the corresponding exchange rate used for the year ended December 31, 2005 caused reported revenues to decrease by €0.8 million.

The profit from operations reported by our specialist packaging businesses at €15.1 million in 2006 is down €0.5 million, equivalent to 3.5% down, compared to €15.6 million reported in 2005. This decrease is due to reduced activity and margin pressure prompted by weak demand conditions in our European carton businesses and also in our United States non pharmaceutical specialist packaging business. Profits from operations in these businesses are down by €3.2 million compared to the prior year. We have implemented extensive rationalisation measures to realign our capacity levels and production configurations in these businesses, the benefits of which we expect to see coming through in 2007. These decreases were partly offset by increased profits of €2.7 million which mainly reflects business acquisitions effects.

Results of Clondalkin Industries B.V. for the year ended 31 December 2006 (continued)

Reshaping and developing Clondalkin

In 2006, extensive rationalisation and development investments were completed in many operations to improve the revenue cost configurations and divest from lower value added business segments for reinvestment in higher value added segments. Restructuring costs for the year, consisting mainly of employee termination costs, amounted to €3.1 million compared to €3.8 million in 2005. Investments in existing operations to add new technologies and upgrade existing assets were approximately €29.8 million. The executive directors anticipate these rationalisations and investments will benefit results in 2007 and in the years to come.

Property disposals

Proceeds from surplus asset disposals including properties were approximately €3.3 million in 2006 compared to €19.8 million in 2005. In relation to the 2006 proceeds, €2.0 million represent a non-refundable deposit in respect of the sale of a surplus property. This deposit was received in July 2006 to secure completion in March 2007. As the sale was pending at the year end, the property is recorded on the balance sheet at 31 December 2006 as a current asset at its current book value of €6.8 million. The sale was completed in March 2007 when the balance proceeds of €24.3 million were received, bringing the total proceeds before expenses to €26.3 million. The 2005 €19.8 million proceeds related to another surplus property disposal completed in December 2005.

Cash balances

The 31 December 2006 cash balances were €51.7 million. Clondalkin's strong cash generation capability has long been the hall mark of our business performance. The cash generation capability is adequate to support Clondalkin's debt servicing requirements and to fund the continuing business developments. In 2006, Clondalkin repaid €30.0 million off its bank borrowings compared to scheduled repayments of €17.9 million; voluntarily repaying €12.1 million debt ahead of schedule. In February 2007, Clondalkin elected to make a further voluntary early debt repayment of €5.0 million. The completion of the above mentioned property disposal in March 2007 prompting incoming proceeds of €24.3 million is a significant additional boost to Clondalkin's cash balances.

Principal risks and uncertainties

Under Dutch and European regulations, the Company and its subsidiaries are required to describe the principal risks and uncertainties encountered. These are:

- Restrictions in our debt instruments may limit our financial flexibility in certain circumstances, including placing limits on the way we operate our businesses, and the way we complete and integrate new acquisitions;
- Our acquisition strategy may not be successful;
- If we are unable to pass on increases in raw material prices to our customers on a timely basis, our profit margins will decrease;
- If the markets in which we operate face unfavourable economic conditions, our profitability and cash flow may decrease;
- If we are unable to stay abreast of changing technology in our industry, our profits may decline;
- We are exposed to currency rate and interest rate fluctuations; and
- If we were to experience environmental problems at our sites, if existing environmental laws were amended or if new environmental laws were enacted, our operations and performance could be affected.

Clondalkin has long experience in managing these risks, alongside achieving profitable development of its businesses.

Financial risk management

The principal financial instruments used to fund Clondalkin's operations comprise bank loans, senior notes, shareholders' loans and cash. Other financial instruments such as trade debtors, trade creditors, accruals and provisions also arise from the day to day trading activities.

Clondalkin enters into foreign currency forward contracts to manage its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the principal markets Clondalkin operates in. Interest rate swaps are used to manage the Group's exposure to interest rate borrowing.

Details of the Group's hedging and exposure to financial risk are contained in note 19 to the financial statements.

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REPORT OF THE EXECUTIVE BOARD

Future development of the Clondalkin business

The Executive Directors with the support of the shareholders', management and employees plan to continue the Clondalkin policy of growth by organic development through investment in existing operations and by making selective acquisitions of businesses that improve our flexible and specialist packaging activities and enhance the product offerings supplied to our customers.

Research and Development

The Group has developed leading positions in a number of niche markets through investment in research and development and modern technologies. We will continue investments in both processes and product development to enhance current product ranges and to develop new packaging solutions for our customers.

Employment

Our average employment increased from 3,754 employees in the year ended 31 December 2005 to 3,908 employees in the year ended 31 December 2006; an increase of 154 employees. Businesses we acquired during 2006 increased the average employment by approximately 213 employees. Whereas we were pleased to expand employment in various businesses where activity and profitable development opportunities permitted this, we were also obliged to reduce employment in businesses where we experienced reduced activity and reduced profitability. To develop our businesses and thereby achieve sustainable employment levels, our objective is to align our resources and capacity configurations to market requirements. We expect that responding to market requirements will continue to impact on our employment levels, prompting both increases and decreases from time to time, albeit that we have a lot of confidence in the ingenuity and resourcefulness of our employees to provide well differentiated products and services which the market requires and is willing to pay a fair price for. It is through our employees that we distinguish our products and services in the market place. We are committed to continued investment in our people, through training and development programs, to encourage their professional and personal development. We sincerely thank all our employees for their commitment and skilful application during 2006.

Directors

Mr. John Voetman resigned as Executive Board Director of the Company on 1 January 2006. Mr. Jim Farrell was appointed as Executive Board Director of the Company on 9 March 2006.

For and on behalf of the Executive Board:

Place... Date...

____Marinus Ditzel

____Colman O'Neill

____Jim Farrell

CLONDALKIN INDUSTRIES B.V.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Revenue	3	763,045	724,255
Cost of sales		(631,720)	(593,095)
Gross profit		131,325	131,160
Other operating income – profit on disposal of assets		151	807
Distribution costs		(32,153)	(31,329)
Administrative expenses		(39,878)	(39,842)
Profit on disposal of surplus properties	4	2,853	12,518
Restructuring costs	5	(3,128)	(3,795)
Profit from operations	3	59,170	69,519
Finance costs	6	(47,894)	(46,287)
Profit before tax	7	11,276	23,232
Income tax expense	9	(3,516)	(5,018)
Profit for the year from continuing operations		7,760	18,214

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2006

	Note	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Profit for the period from continuing operations		7,760	18,214
Exchange differences on translation of foreign operations	22	(2,164)	2,388
Actuarial gains on defined benefit pension schemes		4,233	474
Deferred tax asset on defined benefit pension schemes		(1,062)	(140)
Total recognised income for the financial year		8,767	20,936

The Notes on pages 10 to 35 form part of these financial statements.

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CLONDALKIN INDUSTRIES B.V.

CONSOLIDATED BALANCE SHEET
(after proposed appropriation of profit)
As at 31 December 2006

	Notes	31 December 2006 €'000	31 December 2005 €'000
Non-current assets			
Goodwill	10	437,711	423,910
Property, plant and equipment	11	192,802	191,227
Financial assets	12	1,888	1,888
		632,401	617,025
Current assets			
Inventories	14	78,947	76,243
Trade and other receivables	15	94,865	90,473
Cash and cash equivalents	16	51,685	79,865
Non current assets classified as held for sale	13	6,813	-
		232,310	246,581
Total assets		864,711	860,606
Equity			
Called up share capital	21	7,123	7,123
Other reserves	22	(2,596)	(3,603)
Retained earnings	23	35,117	27,357
Total equity	24	39,644	30,877
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	18	599,113	608,899
Interest due on shareholders' loans		37,413	23,173
Retirement benefit obligations	32	2,037	6,916
Deferred tax liabilities	20	19,898	18,681
		658,461	657,669
Current liabilities			
Interest bearing loans and borrowings		19,140	17,894
Interest due on bank loans and other borrowings		6,519	9,754
Trade and other payables	17	135,975	139,766
Current tax liabilities		4,972	7,646
		166,606	175,060
Total liabilities		825,067	832729
Total equity and liabilities		864,711	863,606

The Notes on pages 10 to 35 form part of these financial statements.

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CLONDALKIN INDUSTRIES B.V.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	Notes	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Operating activities			
Profit from operations		59,170	69,519
Profit on sale of property		(2,853)	(12,518)
Restructuring costs provided for		2,096	-
Profit on disposal of fixed assets		(151)	(803)
Taxation paid		(7,168)	(5,480)
Depreciation		24,083	21,481
Increase in stock		(962)	(1,076)
Increase in debtors		(1,813)	(6,497)
(Decrease) / increase in creditors		(6,226)	6,693
Net cash generated from operating activities		66,176	71,215
Investing activities			
Interest received		837	561
Purchase of property, plant and equipment		(29,849)	(24,520)
Proceeds on disposal of fixed assets		517	3,011
Proceeds on disposal of surplus properties		3,330	19,796
Subsidiaries acquired	25	(30,041)	(12,294)
Sale of subsidiary		-	172
Net cash used in investing activities		(55,206)	(13,274)
Financing activities			
Interest paid		(35,465)	(32,268)
Repayment of shareholders loans		(211)	(43)
Proceeds from loans		29,114	-
Repayment of loans		(30,000)	(15,000)
Payment of finance fees		(1,433)	(653)
Net cash used in financing activities		(37,995)	(47,964)
Net (decrease) / increase in cash and cash equivalents	26	(27,025)	9,977
Cash and cash equivalents at beginning of year		79,865	68,454
Effects of exchange rate changes	27	(1,155)	1,434
Cash and cash equivalents at end of year		51,685	79,865

The Notes on pages 10 to 35 form part of these financial statements.

1. General information

Clondalkin Group Holdings B.V. is the ultimate holding company of the Group and is the parent company of Clondalkin Industries B.V. ("the Company") with address and statutory seat at Raadhuisstraat 15, 1016 DB, Amsterdam, the Netherlands is the ultimate holding company of the Group. The Company was incorporated on 12 January 2004 and is the parent company of Clondalkin Industries B.V., which is the parent company of Clondalkin Acquisition B.V..

These three companies, all Dutch incorporated, were formed to facilitate Clondalkin Acquisition B.V.'s acquisition of all the shares in Clondalkin Group Holding Limited. The acquisition of Clondalkin Industries Limited was completed effective 28 February 2004 and its results have been consolidated from that date.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised International Financial Reporting Standards

In the year the Group and Company have adopted the Amendments to International Accounting Standards ("IAS") 39 Financial Instruments recognition and measurement and International Financial Reporting Standard ("IFRS") 4 Insurance Contracts.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial instruments: Disclosures and related amendments to IAS 1 on capital disclosures
- IFRS 8 Operating segments
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim reporting and impairments
- IFRIC 11 IFRS2 Group and Treasury Share transactions
- IFRIC 12 Service Concession Arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future period will have no material impact on the financial statements of the Group.

2. Accounting policies

Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The financial statements are prepared under the historic cost convention as modified by the periodic revaluation of certain tangible assets and financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all its subsidiaries made up to 31 December 2006. The results of companies acquired or disposed during the period are dealt with in the profit and loss account from the date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to conform the accounting policies used by all subsidiaries to those used by the Group.

Intercompany transactions and balances, and unrealised profits on intercompany transactions, are eliminated on consolidation.

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2. Accounting policies (continued)

Goodwill

Goodwill represents the difference between the fair value attributable to the net separable assets of undertakings acquired and the fair value of the acquisition consideration. Goodwill is recognised and classified as an asset on the balance and is subsequently measured at cost less any accumulated impairment losses.
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. The goodwill allocated to these cash-generating units is tested for impairment annually, or more frequently when there is an indication that the goodwill may be impaired.
We assess the recoverability of goodwill by comparing the projected discounted cash flows of the businesses acquired with the respective carrying amount of goodwill. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Goodwill impairments are recognised immediately in the profit or loss. After goodwill impairments have been charged to the profit and loss account, they are not subsequently reversed.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

Revenue is derived from product sales to customers and services rendered on these products. Revenue is recognised when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; vendor's fee is fixed or determinable and its collection can be reasonably assured.

Translation of foreign currencies

The financial statements are presented in Euros. Transactions denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the date of the transaction.
Assets and liabilities denominated in foreign currencies are translated into Euros at the balance sheet date at the following rates:

- Monetary assets and liabilities are translated at the rates ruling at the balance sheet date;
- Non-monetary assets and liabilities are translated at the rates prevailing at the historic transaction date; and
- The results of foreign subsidiaries are translated at the average of the monthly exchange rates for the period and the assets and liabilities are translated at the exchange rates ruling at the balance sheet date. The difference between the results reported at the average of the monthly exchange rates for the period and the exchange rates ruling at the balance sheet date are presented in the currency translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Exchange differences arising from the retranslation of the opening net investments in foreign subsidiaries are dealt with through reserves. Exchange gains or losses on foreign currency borrowings and long term intercompany loans used to finance or provide a hedge against the Group's equity investments in foreign subsidiaries are offset against revenue reserves to the extent of the exchange differences arising on the net investments. All other translation differences are included in arriving at trading profit.

Property, plant and equipment

Fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write-off the cost of individual tangible assets, by equal annual instalments, over their estimated useful lives, as follows:

Freehold and long leasehold buildings	50 years
Short leasehold buildings	Period of lease
Plant and machinery	5 – 10 years
Fixtures and fittings	1 – 5 years

Freehold land is not depreciated.

2. Accounting policies (continued)

Leased assets

Assets held under operating leases are not capitalised; the related leasing charges are charged to the profit and loss account as incurred.

Impairment of fixed assets

The Group evaluates the carrying amount and periods over which long-lived tangible and intangible assets are depreciated and amortised, at each reporting period. An impairment is recorded when the future discounted net cash flows expected to be generated by the asset are less than the carrying value of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes direct costs and applicable production and other relevant overheads. Cost is calculated using the first in- first out method. Net realisable value is actual or estimated selling price less trade discounts, all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in different periods and further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation is measured at the tax rates that the differences are expected to reverse based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred taxation is measured on a non-discounted basis.

Advertising and promotion expenses

All costs associated with advertising are expensed as incurred.

Finance costs

Costs arising on the issue of fixed term debt are recognised and amortised at a constant rate over the period of the debt. Finance costs are netted against bank loans falling due after more than one year in the balance sheet. Borrowing costs on banks and other loans are expensed in the period in which they are incurred.

2. Accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The group has selected the option available within International Accounting Standard (IAS) 19 for immediate recognition of all actuarial gains and losses outside of the group income statement. They are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined obligation as adjusted for unrecognised past service cost and reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are stated at their fair value as reduced by allowances for estimated irrecoverable amounts.

Financial liabilities and Equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings and Senior notes
Interest-bearing bank loans and overdrafts are recorded at the fair value proceeds received less principal repayments, net of direct issue costs after amortisation.

Trade Payables
Trade payables are not interest bearing and are stated at their fair value.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments
The Group is exposed to changes on foreign currency exchange rate and interest rates. The group uses foreign currency forward contracts and interest swap contracts to manage these exposures. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

Key sources of estimation uncertainty

The preparation of periodic financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as set out below.

Impairment of goodwill - Determining whether goodwill is impaired requires an estimation of the value of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

3. Business and geographical segments

Revenue comprise the amount receivable by Clondalkin Industries B.V. and its subsidiaries in the ordinary course of business for goods supplied and for services provided to third parties net of value added and sales taxes.

For management purposes, the Group is currently organised into two operating divisions – Flexible Packaging and Specialist Packaging.

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Revenue		
Flexible packaging	547,767	530,962
Specialist packaging	215,278	193,293
Total revenue	763,045	724,255
Profit for the period		
Flexible packaging	47,809	48,531
Specialist packaging	15,103	15,646
Unallocated corporate expenses	(3,467)	(3,381)
Profit before disposal of property and restructuring costs	59,445	60,796
Profit on disposal of surplus property	2,853	12,518
Restructuring costs	(3,128)	(3,795)
Profit from operations	59,170	69,519
Finance costs	(47,894)	(46,287)
Profit before tax	11,276	23,232
Income tax expense	(3,516)	(5,018)
Profit for the year from continuing operations	7,760	18,214

3. Business and geographical segments (continued)

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Capital additions		
Flexible packaging	20,005	19,908
Specialist packaging	5,166	9,939
	25,171	29,847
Depreciation		
Flexible packaging	14,768	13,786
Specialist packaging	9,315	7,695
	24,083	21,481

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Balance Sheet		
Assets		
Flexible packaging	597,736	596,485
Specialist packaging	221,817	197,679
	819,553	794,164
Financial assets	1,888	1,888
Unallocated corporate assets	43,270	67,554
Consolidated total assets	864,711	863,606
Liabilities		
Flexible packaging	113,535	125,268
Specialist packaging	49,594	47,741
	163,129	173,009
Unallocated corporate liabilities	661,938	659,720
Consolidated total liabilities	825,067	832,729

3. Business and geographical segments (continued)

Geographical segments

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Analysis of sales by location		
Europe	592,901	575,870
United States of America	170,144	148,385
	763,045	724,255

The analysis of sales by destination is not materially different from the analysis of sales by origin as presented above.

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Analysis of profit from operations by location before restructuring costs and profit on disposal of surplus property by location		
Europe	50,005	52,362
United States of America	9,440	8,434
	59,445	60,796
Analysis of segment assets by location		
Europe	728,823	743,609
United States of America	135,888	119,997
	864,711	863,606

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Capital additions		
Europe	22,112	26,254
United States	3,059	3,593
	25,171	29,847
Depreciation		
Europe	19,105	17,798
United States	4,978	3,683
	24,083	21,481

4. Profit on disposal of surplus property

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Disposal of surplus assets (net of taxation)	2,853	12,518

The profit in 2006 relates mainly to a €2.0 million non refundable deposit in respect of the sale of a surplus property in Dublin, which was recognised as a profit in the period. This property has been recorded on the balance sheet as a current asset at its current book value of €6.8 million. The disposal was completed in March 2007 and the balance proceeds of €24.3 million were received. Also in the year, we sold a small surplus property in the United Kingdom for €1.3 million giving rise to profit on disposal of €0.8 million.

The profit in 2005 has primarily arisen on the sale of surplus property in Dublin. The property became surplus to requirements following the restructuring of our paper packaging businesses.

5. Restructuring costs

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Termination costs	2,950	3,421
Other closure costs	178	374
	3,128	3,795

In 2006, the Group withdrew from lower value added businesses. The restructuring costs incurred mainly relate to employee termination costs.

6. Finance costs

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
On bank and other loans repayable within five years, otherwise than by instalment	-	-
On bank and other loans repayable within five years, by instalment	-	-
On all other loans, excluding shareholders' loans	32,387	31,598
On shareholders' loans- non cash interest	14,240	13,218
Finance cost amortisation	2,104	2,032
	48,731	46,848
Interest receivable	(837)	(561)
	47,894	46,287

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7. Profit before tax

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
The profit before tax is stated after charging (crediting)		
Cost of sales	631,720	593,095
Net foreign exchange gain	(344)	(980)
Auditors' remuneration	850	906
Directors' emoluments : Management board	721	1,262
Depreciation of property, plant and equipment	24,083	21,481
Operating leases : premises	2,235	2,067
: other	943	1,083

8. Employees and remuneration

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Wages and salaries	137,064	135,683
Social welfare costs and other taxes	20,334	19,595
Pension costs	5,667	5,504
	163,065	160,782

	Numbers Employed	Numbers Employed
Average number of full time employees during the year	3,908	3,754.

9. Income tax expense

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
The Netherlands	(1,201)	(458)
Foreign taxation	5,690	5,111
Corporation taxation	4,489	4,653
Deferred taxation	(973)	365
	3,516	5,018

The standard rate of corporation tax is 29.6% (2005: 31.5%) in the Netherlands.

Profit before tax	11,276	23,232
Profit before tax multiplied by standard rate of corporation taxation in the Netherlands of 29.6% (2005: 31.5%)	3,338	7,318
Factors affecting corporation tax charge:		
Capital allowances for period less than depreciation	76	483
Other timing differences	583	(620)
Use of tax losses forward	(592)	(460)
Effect of other tax rates on income from property disposal	(844)	(1,911)
Effect of other tax rates on foreign earnings	955	208
Income tax expense	3,516	5,018

Tax expense recognised directly in Statement of Total Recognised Income and Expense

Deferred tax charge on actuarial gains	1,062	140

10. Goodwill

	31 December 2006 €'000	31 December 2005 €'000
At 1 January	423,910	406,767
Acquired during the year (note 25)	18,998	11,163
Foreign currency translation	(5,197)	5,980
At 31 December	437,711	423,910

The directors are satisfied that there has been no permanent impairment of goodwill in the period.

10. Goodwill (continued)

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows:

	31 December 2006	31 December 2005
	€'000	€'000
Flexible packaging	340,612	344,722
Specialist packaging	97,099	79,188
	437,711	423,910

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management. Cash flow is then projected forward for the following four years on assumed growth of 5% per annum.
The Group uses its weighted average cost of capital to discount future cash flows.

11. Property, plant and equipment

	Land and Buildings	Plant and Machinery	Fixtures and Fittings	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January, 2005	91,403	99,380	7,409	198,192
Acquired on acquisition	782	1,849	-	2,631
Foreign currency translation	2,763	3,800	112	6,675
Additions	2,340	24,868	2,639	29,847
Disposals	(5,819)	(1,804)	(675)	(8,298)
At 31 December 2005	91,469	128,093	9,485	229,047
Foreign currency translation	(1,971)	(1,781)	(80)	(3,832)
Acquired on acquisition	4,890	6,053	414	11,357
Additions	4,173	18,615	2,383	25,171
Disposals	(477)	(510)	(93)	(1,080)
Transferred to asset held for sale	(6,813)	-	-	(6,813)
At 31 December, 2006	91,271	150,470	12,109	253,850
Accumulated depreciation				
At 1 January, 2005	1,290	14,249	1,802	17,341
Foreign currency translation	68	568	26	662
Disposals	(874)	(434)	(356)	(1,664)
Charge for the period	1,602	17,747	2,132	21,481
At 31 December 2005	2,086	32,130	3,604	37,820
Foreign currency translation	(83)	(517)	(18)	(618)
Disposals	-	(195)	(42)	(237)
Charge for the period	2,270	19,537	2,276	24,083
At 31 December, 2006	4,273	50,955	5,820	61,048
Net book amount				
At 31 December 2005	89,383	95,963	5,881	191,227
At 31 December 2006	86,998	99,515	6,289	192,802

The book value of the property, plant and equipment is stated net of environmental valuation adjustments and approximates the fair value.

12. Financial Assets

	31 December 2006	31 December 2005
Group	**€'000**	**€'000**
Shares in unlisted company at cost and net book value	1,888	1,888

The shares in unlisted company represent a 16% equity holding in the Kelvinside Group Limited on a fully diluted basis. Management has assessed, based on historical and expected future financial results, that the value of this investment is realisable at a value at least equal to the carrying amount.

13. Non current asset classified as held for sale

	31 December 2006	31 December 2005
Asset held for resale	6,813	-

In 2006, following the relocation of one of our specialist packaging businesses to alternative leased premises, we reached agreement to dispose of the previously occupied property for €26.3 million. This property has been recorded on the balance sheet as a current asset at its current book value of €6.8 million. A non refundable deposit of €2.0 million has been received in respect of this and has been recognised in the income statement in 2006. This disposal was completed in March 2007, when the balance proceeds of €24.3 million were received.

14. Inventories

	31 December 2006	31 December 2005
	€'000	**€'000**
Raw materials	28,121	27,197
Work in progress	11,773	10,375
Finished goods	39,053	38,671
	78,947	76,243

The replacement cost of inventories does not differ significantly from the balance sheet amounts.

15. Trade and other receivables

	31 December 2006 €'000	31 December 2005 €'000
Amounts falling due within one year		
Trade receivables	85,317	82,581
Prepayments and accrued income	9,548	7,892
	94,865	90,473

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

16. Cash and cash equivalents

	31 December 2006 €'000	31 December 2005 €'000
Cash and cash equivalents	51,685	79,865

In 2006 €1.4 million (2005: €1.6 million) of the above cash balances are restricted due to state mandated cash reserves for the Group's United States self insured workers compensation program.

17. Trade and other payables

	31 December 2006 €'000	31 December 2005 €'000
Trade creditors and accruals	129,666	133,489
Social security and other taxes	3,111	2,727
Value-added and sales taxes	3,198	3,550
	135,975	139,766

Trade creditors and accruals include amounts due to suppliers who purport to hold reservation of title.

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18. Interest bearing loans and borrowings

	31 December 2006 €'000	31 December 2005 €'000
Bank and other loans	267,909	278,962
Senior notes	170,000	170,000
Amounts due to parent	176,379	176,528
	614,288	625,490
Finance costs, net of amortisation of €2,104 and additional fees of €688 (2005: €2,032)	(15,175)	(16,591)
	599,113	608,899

Bank and other loans

Bank and other loans due after more than one year at 31 December 2006 were €267.9 million (2005: €279.0 million) comprising term loans under a bank credit facility agreement entered into by the Company and its subsidiaries with a syndicate of banks. These term loans were borrowed in U.S. dollars, Sterling, Swiss francs and Euro to align the Group's total long-term debt service requirements with approximate annual cash flows in these currency denominations. Interest is payable on the bank debt at a margin of between 2.25% and 3.25% above the inter-bank offer rates appropriate to the currencies borrowed.

The bank and other loans due after more than one year mature as follows:

	31 December 2006 €'000	31 December 2005 €'000
Between one and two years	27,546	22,562
Between two and three years	29,128	26,452
Between three and four years	33,873	28,008
Between four and five years	8,501	32,676
Thereafter:		
By instalment	17,947	7,780
Other than by instalment	150,914	161,484
	267,909	278,962

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18. Long term loans (continued)

Bank and other loans (continued)

An additional term loan facility of up to €100 million has been committed by the syndicate of banks and may be drawn in total or in part to part finance future acquisitions. During 2006, €30.1 million of this facility was drawn down in order to finance the acquisition of Pharmagraphics Inc. In addition, the syndicate of banks had committed revolving credit facilities up to €40 million which could have been drawn to finance short period borrowings of one, three and six months for working capital purposes and for letters of credit, lender guarantees and other foreign exchange hedging requirements. Reflecting the minimal usage of this facility, it was reduced to €20 million during 2006.

The bank loans, including the acquisition and revolving credit facilities, are secured by a combination of first priority fixed and floating charges over most of the tangible and intangible assets of the Group. Where such charges are not attached to assets, alternative security enforcement rights such as share pledges have been given.

The bank credit facility agreement also prescribes operating and financial covenants. These include requirements to maintain minimum ratios of earnings to interest charges, cash flow to total debt service requirements, maximum indebtedness conditions and capital expenditure maintenance.

Senior notes

On 11 March 2004, €170 million senior notes were issued by the Company. These senior notes mature in March 2014. The annual interest rate on the senior notes of 8% is fixed for the duration of the borrowing. Interest is payable in arrears in two equal annual instalments in March and September each year. The senior notes are Euro denominated. The senior notes are unsecured obligations of Clondalkin Industries B.V., the issuer. Clondalkin Group Holdings B.V., the parent company and most of the Company's subsidiaries have guaranteed the senior notes. The guarantee is a general obligation that becomes due 179 days after a payment default or earlier in limited circumstances and is subordinated to the rights of the lenders under the bank credit facility agreement. The guarantee ranks equally with or senior to any other current or future subordinated indebtedness of the guarantor companies. Under the terms of the senior note indenture agreement, the Group has entered into various covenants which place restrictions on the incurrence of additional indebtedness and on dividend and other shareholder payments and on liens.

Amounts due to shareholders'

Amounts due to parent company represents the funding of Clondalkin Group Holdings B.V. into Clondalkin Industries B.V. and its subsidiaries. Interest accrues on these loans at the rate of 7.695% per year payable in June and December each year, but until maturity, interest is to be capitalised.

19. Derivatives and financial instruments

Currency derivatives

The principal financial instruments used to fund the operations comprise bank loans, senior notes, shareholders' loans and cash. Other financial instruments such as trade debtors, trade creditors, accruals and provisions also arise from the Group's operations.

The Group does not trade in financial instruments.

The Group is a party to foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, total notional amount of the outstanding forward foreign exchange contracts that the Group has committed to are as below.

	31 December 2006	31 December 2005
	€'000	€'000
Forward foreign exchange contracts	11,688	15,836

These forward foreign exchange contracts relate to forward commitments entered into at the end of the year, arising from day to day trading activities and are intended to eliminate forward exchange risks due to currency fluctuations. Most of these contracts mature within one year. The fair value of contracts entered into at 31 December 2006 is estimated at (€0.3 million), 2005 (€0.3 million).

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate borrowing. The fair value of swaps entered into at 31 December 2006 based on management's estimate is €0.7 million (2005: €0.4 million).

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19. Derivatives and financial instruments (continued)

Interest rate and currency profile

The interest rate and currency profile of the Group's principal financial instruments, excluding short term debtors and creditors, at 31 December 2006 was as follows:

	Euro Denominated	Non Euro Denominated	Total
	€'000	€'000	€'000
Fixed rate debt	90,000	82,788	172,788
Bank and other loans			
Weighted average fixed debt interest rates	2.93%	3.76%	3.34%
Weighted average fixed debt period	1.25 years	1.21 years	1.22 years
Senior notes	170,000	-	170,000
Weighted average fixed debt interest rates	8%	-	8%
Weighted average fixed debt period – years	7 years	-	7 years
Shareholders' loans and amounts due to shareholders	176,379	-	176,379
Weighted average fixed debt interest rates	7.695%	-	7.695%
Weighted average fixed debt period	8 years	-	8 years
	436,379	82,788	519,167
Variable rate debt			
Bank and other loans	37,966	76,295	114,261
Total borrowings	474,345	159,083	633,428
Bank and cash balances – floating rates	(30,387	(21,298)	(51,685)
Net debt	443,958	137,785	581,743
Debtors and prepayments	52,925	41,940	94,865
Trade creditors and accruals	79,806	49,860	129,666

The non Euro denominated net debt was comprised as follows:

	U.S. Dollar	Sterling	Other	Total
	€'000	€'000	€'000	€'000
Bank and other loans at fixed rates	45,558	37,230	-	82,788
Weighted average fixed debt interest rates	2.85%	5.01%	-	3.76%
Weighted average fixed debt period – years	1.16	1.26	-	1.21
Bank and other loans at variable rates	43,659	14,451	18,185	76,295
Bank and cash balances – floating rates	(8,502)	(9,042)	(3,754)	(21,298)
	80,715	42,639	14,431	137,785
Debtors and prepayments	17,596	19,312	5,032	41,940
Trade creditors and accruals	21,928	19,926	8,006	49,860

19. Derivatives and financial instruments (continued)

Fair value of financial assets and liabilities

The book values and fair values of the financial assets and financial liabilities were:

	31 December 2006		31 December 2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	€'000	€'000	€'000	€'000
Assets				
Bank and cash balances	51,685	51,685	79,865	79,865
Accounts receivable and prepayments	94,865	94,865	90,473	90,473
Liabilities				
Accounts payable and accrued liabilities	129,666	129,666	133,489	133,489
Long term debt including current maturities	457,049	466,399	466,856	476,206
Shareholders' loans	176,379	176,379	176,528	176,528

The estimated fair value of the senior notes of €170.0 million, included above in long term debt including current maturities, has not been adjusted to market value of €179.4 million as at 31 December 2006 (2005: €179.4m).

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments;

Cash, short term deposits, accounts receivable, accounts payable and short term borrowings: The carrying amount reported in the balance sheet approximates fair value of the short maturity of these instruments.

Long term debt and shareholders' loans: The carrying amount reported in the balance sheet is approximately fair value, except that the fair value of the senior notes is stated at the market value at 31 December 2006.

The Group had no material exposures on monetary assets and monetary liabilities at 31 December 2006.

20. Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of Property	Tax losses	Other timing differences	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2005	6,026	10,195	(1,915)	3,806	18,112
Exchange movement	190	120	(62)	173	421
Deferred tax charge (credit) to income statement	327	134	(353)	257	365
Deferred tax charge (credit) to equity		-	-	140	140
Transfer to corporation tax	-	(357)	-	-	(357)
At 1 January 2006	6,543	10,092	(2,330)	4,376	18,681
Exchange movement	(205)	(143)	23	(4)	(329)
Deferred tax charge (credit) to income statement	1,086	1,342	(1,388)	(2,013)	(973)
Deferred tax charge (credit) to equity	-	-	-	1,062	1,062
Acquisition of subsidiary	1,777	(129)	-	(191)	1,457
At 31 December 2006	9,201	11,162	(3,695)	3,230	19,898

	31 December 2006	31 December 2005
	€'000	€'000
The deferred tax provision consists of the following amounts		
Accelerated capital allowances	9,201	6,543
Revaluation of building	11,162	10,092
Losses carried forward	(3,695)	(2,330)
Other timing differences	3,230	4,376
	19,898	18,681

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

	31 December 2006	31 December 2005
	€'000	€'000
Deferred tax liabilities	25,626	25,828
Deferred tax assets	(5,728)	(7,147)
	19,898	18,681

At the balance sheet date the Group had unused tax losses of €19.2 million (2005: €13.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €14.5 million worth of these losses (2005: €7.7 million). The remaining unused tax losses of €4.7 million (2005: €5.5 million) are not recognised as deferred tax assets because their utilisation is restricted.

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21. Share capital, share premium and capital contribution

	Preferred ordinary shares	Share Premium (thousands)	Capital Contri-bution	Total
Authorised number of shares (€0.01 each)				
At 31 December 2005 and 2006	10,000	-	-	10,000
Number of allotted called up and fully paid share capital (in thousands)				
At 1 January 2005	2,000	-	-	2,000
Issue of shares	-	-	-	-
At 31 December 2005	2,000	-	-	2,000
Issue of shares	-	-	-	-
At 31 December 2006	2,000	-	-	2,000
Value in €'000 at 31 December 2006	20	3,678	3,425	7,123

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22. Other reserves

	Currency translation reserve	Actuarial gains / (losses)	Total
	€'000	€'000	€'000
Opening balance at 1 January 2005	(2,511)	(3,814)	(6,325)
Currency translation	2,388	-	2,388
Actuarial gain on defined benefit pension scheme	-	474	474
Deferred tax charge on actuarial gain	-	(140)	(140)
At 31 December 2005	(123)	(3,480)	(3,603)
Currency translation	(2,164)	-	(2,164)
Actuarial gain on defined benefit pension scheme	-	4,233	4,233
Deferred tax charge on actuarial gain	-	(1,062)	(1,062)
At 31 December 2006	(2,287)	(309)	(2,596)

23. Retained Earnings

	31 December 2006	31 December 2005
	€'000	€'000
At beginning of period	27,357	9,143
Profit after taxation	7,760	18,214
At 31 December	35,117	27,357

24. Reconciliation of movement in Equity

	31 December 2006	31 December 2005
	€'000	€'000
At beginning of period	30,877	9,941
Movement on currency translation reserve	(2,164)	2,388
Actuarial gain on defined benefit pension schemes	4,233	474
Deferred tax charge on actuarial gains	(1,062)	(140)
Profit retained for the year	7,760	18,214
At 31 December	39,644	30,877

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25. Subsidiaries acquired

2006	Book value acquired €'000	Fair value adjustments €'000	Fair value acquired €'000
Tangible fixed assets	10,035	1,322	11,357
Intangible assets	404	(404)	-
Stocks	3,363	-	3,363
Receivables	4,503	-	4,503
Corporation tax	143	-	143
Creditors and accruals	(4,797)	(2,753)	(7,550)
Deferred tax	(764)	(693)	(1,457)
	12,887	(2,528)	10,359
Goodwill			18,998
			29,357
Satisfied by:			
Consideration and expenses paid			29,357

Consideration in respect of Pharmagraphics	29,357
Deferred consideration paid during year	684
Total paid in respect of subsidiaries acquired	30,041

In April 2006, the Group acquired Pharmagraphics Inc, a United States based pharmaceutical packaging company for €29.4 million.

Pharmagraphics contributed €25.0 million revenue and €2.0 million to the Group's profit from operations for the period between the date of acquisition and year end.

If the acquisition had been completed on 1 January 2006, total group revenue for the period would have been €772.3 million and total profit from operations would have been €59.1 million.

The goodwill arising on the acquisition of Pharmagraphics is attributable to the expected synergies, revenue growth and future market development of the business. The customer lists and customer relationships of Pharmagraphics were also acquired as part of the acquisition. These assets could not be reliably measured and separately recognised from goodwill because they are not capable of being separated from the business and sold, transferred licensed, rented or exchanged, whether individually or together with any related contracts.

The deferred consideration paid during the year relates to the acquisitions of Harlands of Hull and Paradise Labels in 2005.

26. Decrease / (increase) in net debt

	31 December 2006 €'000	31 December 2005 €'000
(Decrease) / increase in cash	(27,025)	9,977
Increase in bank loans due within one year	(1,603)	(3,634)
Decrease in bank loans due after more than one year	2,489	18,634
	(26,131)	24,977
Currency translation movement	7,766	(10,534)
Decrease / (increase) in net debt	(18,373)	14,443

27. Analysis of changes in net debt

	31 December 2006 €'000	Cash flow €'000	Exchange Movements €'000	31 December 2005 €'000
Cash balances and call deposits	51,685	(27,025)	(1,155)	79,865
Bank debt due within one year	(19,140)	(1,603)	357	(17,894)
Bank debt due after more than one year	(267,909)	2,489	8,564	(278,962)
Movement in senior debt	(170,000)	-	-	(170,000)
Net debt	(405,364)	(26,139)	7,766	(386,991)

28. Capital expenditure commitments

At 31 December 2006, the following capital expenditure commitments authorised by the board of directors have not been provided in the financial statements

	31 December 2006 €'000	31 December 2005 €'000
Contracted for	4,832	6,942
Not contracted for	2,610	6,864
	7,442	13,806

29. Leasing commitments

At 31 December 2006, the Group had total commitments under non-cancellable operating leases which expire as follows:

	Premises
	€'000
Within one year	1,014
One to five years	3,720
Over five years	3,419
	8,153

	Equipment
	€'000
Within one year	183
One to five years	1,269
Over five years	57
	1,509

30. Fiscal entity

Together with Clondalkin Group Holdings B.V., Clondalkin Industries B.V. forms a tax entity with most of the Dutch subsidiary companies in respect to corporation tax, and for this reason it is jointly and severally liable for the tax liabilities of the fiscal unity.

31. Controlling parties

Clondalkin Group Holdings B.V. is the ultimate holding company of the group of companies of which it is a member. The majority shareholder in Clondalkin Group Holdings B.V. is WP Flexpack Holdings S.a.r.l and its associates who together control 85.6% of the issued ordinary share capital (equivalent to 82.5% on a fully diluted basis) and 97.2% of the issued preference share capital.

32. Pensions

The Group companies contribute to pension benefit arrangements operated in accordance with the local conditions and practices in the jurisdictions in which the companies operate. These arrangements are administered in funded pension schemes held separately from, and managed independently of, the participating companies.

The most common type of pension scheme operated by the participating companies is the defined contribution type of scheme. In these schemes, the employer obligation is to pay agreed annual contributions. In addition, certain group companies based in the Netherlands, in accordance with common practice in that country, contribute to defined benefit schemes operated as part of broadly based industry schemes. In these industry schemes, there is no practical way to separate the pension benefit affairs of the operating companies' beneficiaries from the general membership of these schemes. These industry schemes therefore reflect features more normal to defined contribution schemes than defined benefit schemes. The annual contributions, expressed as a percentage of salary, both to the defined contribution schemes and the industry schemes have not varied significantly in recent years. The charge for the year ended 31 December 2006 in respect of the defined contribution schemes was €4.9 million (2005: €3.6 million) and the contributions due at 31 December 2006 and 2005 were not material.

Defined benefit type schemes are also operated. In these schemes, the employer obligation is to provide benefits linked to employees' service years. Annual contributions to these schemes are based on advice from independent professional actuaries. Actuarial valuations have been carried out on all these schemes within the last three years, generally using the Projected Unit Credit Method to determine pension contributions. These valuations are reviewed and updated on an annual basis. Qualified independent actuaries perform the actuarial valuations.

The charge for the year ended 31 December 2006 in respect of these defined benefit schemes was €0.8 million (2005: €1.9 million) and there were no material contributions prepaid at 31 December, 2006 and 2005.

The market value and expected long term rate of returns on the main assets held by the pension schemes at 31 December 2006 and 2005, compared to the liability position at that date, were as follows:

	Expected Long term rate of return 2006	Market value at 31 December 2006	Expected Long term rate of return 2005	Market value at 31 December 2005
	Percent	€'000	Percent	€'000
Equities	6.71	53,415	6.61	56,313
Fixed income and indexed linked investments	4.16	67,131	4.02	65,110
Properties	5.22	20,614	5.15	19,106
Cash and other	3.71	4,764	2.75	1,282
Total assets		145,924	5.19	141,811
Present value of scheme liabilities		(125,965)		(142,653)
Surplus / (Deficit) of assets over present value of liabilities		19,959		(842)
Surplus restriction		(21,996)		(6,074)
Net deficit after restriction		(2,037)		(6,916)

The assumptions, weighted by reference to the pension scheme liabilities of the participating pension schemes, used by the actuary in presenting the above summary details were:

	At 31 December 2006	At 31 December 2005
Rate of increases in salaries	2.44%	2.43%
Rate of increase in pensions in payment	0.63%	1.35%
Discount rate	4.15%	3.70%
Inflation assumptions	1.79%	1.75%

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32. Pensions (continued)

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Current service cost	4,436	2,867
Interest cost	5,021	5,355
Expected return on scheme assets	(7,099)	(6,219)
Curtailment gain	-	(67)
Settlement gain	(1,592)	-
	766	1,936

Of the charge for the year, €0.5 million (2005: €1.3 million) has been included in cost of sales, €0.1 million (2005: €0.3 million) included in distribution costs and €0.2 million (2005: €0.3 million) included in administration expenses. Actuarial gains and losses have been reported in the statement of recognised income and expense.
The actual return on scheme assets was €10.2 million (2005: €13.2 million).

Reconciliation of actuarial value of liabilities

	31 December 2006	31 December 2005
	€'000	€'000
Opening defined benefit obligation	142,653	132,149
Current service cost	4,436	2,867
Curtailment gain	-	(67)
Settlement gain	(1,592)	-
Interest cost	5,021	5,355
Actuarial gain	(17,026)	7,582
Benefits paid	(7,527)	(5,233)
Closing defined benefit obligation	125,965	142,653

Changes in fair value of plan assets

	31 December 2006	31 December 2005
	€'000	€'000
Opening fair value of plan assets	141,811	129,144
Exchange differences	-	(31)
Expected return	7,099	6,990
Contributions	1,412	2,242
Benefits paid	(7,527)	(5,233)
Actuarial gains	3,129	8,699
Closing fair value of plan assets	145,924	141,811

The experience gains and losses in the year ended 31 December 2006 and 2005 were as follows

	31 December 2006	31 December 2005
	€'000	€'000
(Deficit)/ Excess actual return over expected return on scheme assets	(1,158)	5,998
Excess expressed as a percentage of scheme assets	*0.8%*	*4.2%*
Experience gain on pension scheme liabilities	120	2,240
Gain expressed as percentage of scheme liabilities	*0.1%*	*1.6%*
Gain / (Loss) from changes in the assumptions used to value liabilities	5,271	(7,764)
Loss expressed as percentage of scheme liabilities	*4.3%*	*5.4%*
Total actuarial gain	4,233	474
Total actuarial gain expressed as percentage of scheme liabilities	*3.4%*	*0.3%*

33. Events after the balance sheet date

On 19 June, 2007, €413.0 million equivalent Floating Rate Notes ("Notes") were issued by the Group. Proceeds from the Notes were used to refinance existing senior credit facilities with the balance proceeds after expenses of the offering applied to fund acquisitions.

During the second quarter of 2007, the Group acquired Kenilworth Products, Keller Crescent and Direct Plastics. Kenilworth and Keller based in Ireland and the United States respectively are suppliers of packaging to the Pharmaceutical and Healthcare sectors. Direct based in Canada specialises in flexible packaging for the frozen foods, confectionary, horticulture and animal care markets. The total consideration paid in respect of these acquisitions was €105 million.

These companies in aggregate reported revenues for the year ended December 31, 2006 of €98.4 million and operating income of €10.4 million.

CLONDALKIN INDUSTRIES B.V.

COMPANY INCOME STATEMENT

for the year ended 31 December 2006

	Year ended 31 December 2006 €'000	Restated Year ended 31 December 2005 €'000
Administration expenses	(56)	(65)
Net interest receivable	213	213
Profit before taxation	157	148
Taxation charge	(46)	(47)
Net profit	111	101

The Company had no other recognised gains or losses during the year.

The Notes on pages 40 to 45 form part of these financial statements.

For identification purpose only.
Related to auditor's report
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CLONDALKIN INDUSTRIES B.V.

COMPANY BALANCE SHEET
(after proposed appropriation of profit)
As at 31 December 2006

	Notes	31 December 2006 €'000	Restated 31 December 2005 €'000
Non-current assets			
Investment in subsidiaries		343,060	343,060
Current assets			
Trade and other receivables		69,258	41,201
Total assets		412,318	384,261
Equity			
Share capital	3	20	20
Share premium account	3	3,678	3,678
Capital contribution	3	3,425	3,425
Retained earnings	4	160	49
Total Equity	5	7,283	7,172
Non-current liabilities			
Senior notes		170,000	170,000
Amounts due to shareholders'		203,390	189,117
Interest due on shareholders' loans		3,967	3,967
		377,357	363,084
Current liabilities			
Creditors - amounts falling due within one year		27,678	14,005
Total liabilities		405,035	377,089
Total Equity and liabilities		412,318	384,261

The Notes on pages 40 to 45 form part of these financial statements.

CLONDALKIN INDUSTRIES B.V.

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2006

	Year ended 31 December 2006 €'000	Restated Year ended 31 December 2005 €'000
Profit before taxation	157	148
Finance costs	(213)	(213)
Increase in creditors	56	60
Net cash used in operating activities	-	(5)
Net decrease in cash and cash equivalents	-	(5)
Cash and cash equivalents at beginning of year	-	5
Cash and cash equivalents at end of year	-	-

The Notes on pages 40 to 45 form part of these financial statements.

For identification purpose only.
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1. General information

Clondalkin Group Holdings B.V. is the ultimate holding company of the Group and is the parent company of Clondalkin Industries B.V. ("the Company") with address and statutory seat at Raadhuisstraat 15, 1016 DB, Amsterdam, the Netherlands is the ultimate holding company of the Group. The Company was incorporated on 12 January 2004 and is the parent company of Clondalkin Industries B.V., which is the parent company of Clondalkin Acquisition B.V.. These three companies, all Dutch incorporated, were formed to facilitate Clondalkin Acquisition B.V.'s acquisition of all the shares in Clondalkin Group Holding Limited. The acquisition of Clondalkin Industries Limited was completed effective 28 February 2004 and its results have been consolidated from that date.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU).

General

The financial statements of the Company have been prepared using the option of section 362 of Book 2 of the Netherlands Civil Code, meaning that the accounting principles used are the same as for the consolidated financial statements. Foreign currency has been translated, assets and liabilities have been valued and net income has been determined in accordance with the principles of valuation and determination of income provided therein. The financial statements are prepared under the historic cost convention as modified by the periodic revaluation of certain tangible assets and financial instruments. The principal accounting policies adopted are set out below.

Change in Accounting Principles

The Company's financial statements were previously prepared in accordance with IFRS and its interpretations as adopted by the IASB, except for Company's subsidiary investment which was accounted for using the equity method. The change in accounting policy is implemented by restating the equity position at 31 December 2005 from €30.9 million to €7.2 million a reduction of €23.7 million and restating the 2005 net income from €18.2 million to €0.1 million, a reduction of €18.1 million.

Investments in Subsidiary companies

The Company values its investment in subsidiary companies at cost value.

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3. Share capital, share premium and capital contribution

	Ordinary shares	Share Premium	Capital Contri-bution	Total
		(thousand)		
Authorised number of shares (€0.01 each)				
At 31 December 2005 and 2006	10,000	-	-	10,000
Number of allotted called up and fully paid share capital (in thousands)				
At 1 January 2005	2,000	-	-	2,000
Issue of shares	-	-	-	-
At 31 December 2005	2,000	-	-	2,000
Issue of shares	-	-	-	-
At 31 December 2006	2,000	-	-	2,000
Value in €'000 at 31 December 2006	20	3,678	3,425	7,123

4. Retained Earnings

	31 December 2006 €'000	Restated 31 December 2005 €'000
At beginning of period	49	(52)
Net profit	111	101
At 31 December	160	49

5. Reconciliation of movement in Equity

	31 December 2006 €'000	Restated 31 December 2005 €'000
At beginning of period	7,172	7,071
Net profit	111	101
At 31 December	7,283	7,172

The difference in equity and results between the consolidated financial statements and Company financial statements is due to the results of investments, actuarial movement on pensions and foreign currency translation movements not included in the Company financial statements.

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dated 23/7/07

6. Principal subsidiaries as at 31 December 2006

The Company directly owns 100% of the issued share capital of Clondalkin Acquisition B.V.. All other subsidiaries are 100% indirectly owned. The principal subsidiaries are as follow:

Name of company	Registered office in	Nature of business
Better Business Forms Inc	Florida, USA	Printing
Bideford Limited	Dublin, Ireland	Investment Holding Company
Boxes (GH) Limited	Bristol, Britain	Packaging
Boxes (Kelvin Fenton) Limited	Bristol, Britain	Packaging
Boxes LPF B.V.	Leeuwarden, The Netherlands	Packaging
Boxes (Prestige) Limited	Bristol, Britain	Packaging
Boxes Prestige sp Z.o.o.	Lublin, Poland	Packaging
A. P. Burt & Sons Limited	Bristol, Britain	Packaging
Cahill Printers Limited	Dublin, Ireland	Printing
Cats Flexible Packaging B.V.	Rotterdam, The Netherlands	Packaging
The Cavendish Press Limited	Bristol, Britain	Printing
C.B. Packaging Limited	Dublin, Ireland	Packaging
C.B. Packaging Limited	Bristol, Britain	Packaging
Chadwicks of Bury Limited	Bristol, Britain	Packaging
Clondalkin Acquisition B.V.	Amsterdam, The Netherlands	Investment Holding Company
Clondalkin Group (UK) Limited	Bristol, Britain	Investment Holding Company
Clondalkin Group Investments Limited	Dublin, Ireland	Investment Holding Company
Clondalkin Holdings B.V.	Amsterdam, The Netherlands	Investment Holding Company
Clondalkin Holdings GmbH	Höxter, Germany	Investment Holding Company
Clondalkin Industries Limited	Dublin, Ireland	Investment Holding Company
Clondalkin International Finance	Dublin, Ireland	Investment Holding Company
Ditone Labels Limited	Bristol, Britain	Printing
Edgemead Limited	Dublin, Ireland	Investment Holding Company
Flexoplast B.V.	Wieringerwerf, The Netherlands	Packaging
Fortune Plastics Inc.	Connecticut, USA	Packaging
Guy and Company (Distribution) Limitec	Dublin, Ireland	Packaging Merchants
Guysal Limited	Dublin, Ireland	Printing
Hansel Flexible Packaging GmbH	Freital, Germany	Packaging
Harlands of Hull Limited	Bristol, Britain	Printing
Linde Vouwkartonnage B.V.	Denekamp, The Netherlands	Packaging
LPF Flexible Packaging B.V.	Grootegast, The Netherlands	Packaging
Munster Paper Sacks Limited	Dublin, Ireland	Packaging
Nimax B.V.	Elst, The Netherlands	Packaging
Nyco Flexible Packaging GmbH	Kirchberg, Switzerland	Packaging
Obelisk Investments Limited	Dublin, Ireland	Investment Holding Company
Pharmagraphics Inc	North Carolina, USA	Packaging
Pharmagraphics Guy Limited	Dublin, Ireland	Printing
Ritchie (UK) Limited	Bristol, Britain	Printing
Spiralkote Inc.	Florida, USA	Packaging
Swiftbrook Limited	Dublin, Ireland	Paper Merchants
US New Co Inc	Delaware, USA	Investment Holding Company
Vaassen Flexible Packaging B.V.	Vaassen, The Netherlands	Packaging
Van der Windt GmbH	Höxter, Germany	Packaging Merchants
Van der Windt Packaging NV	Hoogstraten, Belgium	Packaging Merchants
Van der Windt Verpakking B.V.	Honselersdijk, The Netherlands	Packaging Merchants
Verpakkingsindustrie Velsen B.V.	Wieringerwerf, The Netherlands	Packaging
Wentus Kunststoff GmbH	Höxter, Germany	Packaging
Wentus B.V.	Honselersdijk, The Netherlands	Packaging Merchants
Wentus (UK) Limited	Bristol, Britain	Packaging Merchants
Wilkes-Cerdac Limited	Dublin, Ireland	Printing

7. Guarantees

The Company has given guarantees in respect its following Dutch subsidiaries under the provisions of section 403, Book 2 of the Netherlands Civil Code:

- Aluminium Industrie Vaassen B.V. (Vaassen, The Netherlands)
- Boxes LPF B.V. (Leeuwarden, The Netherlands)
- Cats Flexible Packaging B.V. (Rotterdam, The Netherlands)
- Clondalkin Acqusitions B.V. (Amsterdam, The Netherlands)
- Clondalkin Group B.V. (Amsterdam, The Netherlands)
- Clondalkin Group Investments B.V. (Amsterdam, The Netherlands)
- Clondalkin Holdings B.V. (Amsterdam, The Netherlands)
- CNED I B.V. (Amsterdam, The Netherlands)
- CNED II B.V. (Amsterdam, The Netherlands)
- Emballage Artikelen J. van der Windt B.V. (Honselersdijk, The Netherlands)
- Flexoplast B.V. (Wieringerwerf, The Netherlands)
- Leeuwenhoek Holding B.V. (Wieringerwerf, The Netherlands)
- Leeuwhoek Onroerend Goed B.V. (Wieringerwerf, The Netherlands)
- Linde Vouwkartonnage B.V. (Denekamp, The Netherlands)
- LPF Flexible Packaging B.V. (Grootegast, The Netherlands)
- LPF Verpakkingen B.V. (Leeuwarden, The Netherlands)
- Plastic Flexible Packing B.V. (Grootegast, The Netherlands)
- Plastic Packing B.V. (Honselersdijk, The Netherlands)
- Nimax B.V. (Elst, The Netherlands)
- Nimax Onroerend Goed en Beheer B.V. (Elst, The Netherlands)
- Van der Windt Verpakkingen B.V. (Honselersdijk, The Netherlands)
- Varia Vlaardingen B.V. (Honselersdijk, The Netherlands)
- Vaassen Flexible Packaging B.V. (Vaassen, The Netherlands)
- Verpakkingsindustrie Rotterdam B.V. (Wieringerwerf, The Netherlands)
- Verpakkingsindustrie Velsen B.V. (Wieringerwerf, The Netherlands)
- Wentus B.V. (Honselersdijk, The Netherlands)
- Winzo Beheer B.V (Honselersdijk, The Netherlands)

The Company has given guarantees in respect its following Irish subsidiaries under the provision of Section 17 of the Irish Companies Act 1986:

- Bailey Gibson Limited (Dublin, Ireland)
- Bideford Limited (Dublin, Ireland)
- B.G. Flexible Packaging Limited (Dublin, Ireland)
- Brittas Plastics Limited (Dublin, Ireland)
- Cahill Printers Limited (Dublin, Ireland)
- C.B. Packaging Limited (Dublin, Ireland)
- European Manufacturing Services Limited (Dublin, Ireland)
- Guy and Company (Distribution) Limited (Dublin, Ireland)
- Guysal Limited (Dublin, Ireland)
- Foxfield Investments Limited (Dublin, Ireland)
- James Wilkes (Ireland) Limited (Dublin, Ireland)
- Munster Paper Sacks Limited (Dublin, Ireland)
- Pharmagraphics Guy Limited (Dublin, Ireland)
- Swiftbrook Limited (Dublin, Ireland)
- Topaz Digital Print (Ireland) Limited (Dublin, Ireland)
- Verdosa Limited (Dublin, Ireland)
- Wilkes-Cerdac Limited (Dublin, Ireland)

8. Board approval

The consolidated and Company financial statements were approved by the board of directors and supervisory board on:

Place.. Date..

Board of directors:

______________________ Colman O'Neill

______________________ Marinus Ditzel

______________________ Jim Farrell

9. Statutory rules concerning profit appropriation

Article 21. Profits

1. The allocation of profits earned in a financial year shall be determined by the General Meeting.
2. Distributions can only take place up to the amount of the distributable part of the net assets.
3. Distribution of profits shall take place after the fixing of the Annual Accounts from which it appears it is approved.
4. The General Meeting may, subject to due observance of the provision of the law, resolve to pay an interim dividend.
5. The General Meeting may, subject to due observance of paragraph 2, resolve to make payments to the charge of any reserve which need not to be maintained by virtue of the law.
6. A claim of a shareholder for payment of a dividend shall be barred after five years have elapsed.

10. Proposed profit appropriation for the financial year 2006

The board of directors proposed that the profit for the financial year 2006 should be transferred to reserves without payment of dividend. Anticipating the decision of the general meeting of shareholders, the financial statements reflect this proposal.

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Related to auditor's report
dated ..23/7/07.........

Deloitte.

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Board of directors and Supervisory board of
Clondalkin Industries B.V.
Amsterdam

Date	From	Reference
July 23, 2007	R.M.A. Zuiverloon	3100042702/OP9990/ahdr

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Clondalkin Industries B.V., which comprise the consolidated and company balance sheet as at December 31, 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Clondalkin Industries B.V. as at December 31, 2006 and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the board reports are consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

R.M.A. Zuiverloon

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Clondalkin Industries B.V.
Attn. Mr. J. Farrell
Raadhuisstraat 15
1016 DB AMSTERDAM

Date	From	Our reference
July 30, 2007	R.M.A. Zuiverloon	3100042702/TR9993/ahdr

Subject
Auditors' report

Dear Mr. Farrell,

Enclosed please find a copy of the annual report of Clondalkin Industries B.V. signed for identification purposes, including our auditors' report dated July 23, 2007.

We hereby grant permission for you to include the auditors' report in other copies of the 2006 annual report provided that they are exactly the same as the enclosed certified copy.

We kindly request you to sign and date the annual report and return it to us at your earliest convenience.

We would like to remind you that the financial statements have to be approved by the General Meeting of Shareholders and that within eight days after approval the financial statements have to be filed with the Trade Register where the company has its legal seat. <u>On the copy to be filed, the date of approval by the General Meeting of Shareholders must be indicated.</u> The financial statements should be approved within seven months after balance sheet date, with the possibility to extend this period to thirteen months.

As you may be aware, the external auditors have certain responsibilities for major events which occur subsequent to the balance sheet date. In certain cases, the consequences of such major events may cause adjustments to the financial statements, or require additional disclosures. If, in the period until approval by the General Meeting of Shareholders, such events would occur, we kindly request you to inform us thereof.

Deloitte.

We would appreciate to hear from you when the General Meeting of Shareholders will approve the financial statements.

We hope you appreciate the above information.

Yours sincerely,

Deloitte Accountants B.V.

R.M.A. Zuiverloon