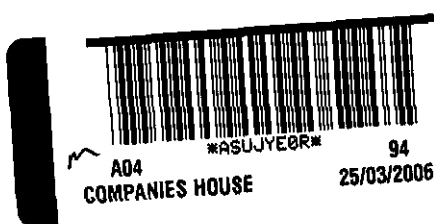


**SIGMAKALON UK LIMITED
(FORMERLY KALON LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005



COMPANY NO: 436135

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company remains that of the manufacture and distribution of decorative products.

The company changed its name from Kalon Limited to SigmaKalon UK Limited on 24 February 2006.

The markets in which the company operates are very competitive. There are four major suppliers of paint to the UK market, one of which is located overseas. The displaced UK manufacturing capacity has intensified price competition, as the UK-based manufacturers have sought to maintain production economies of scale. Given the highly competitive nature of the market place, the directors are satisfied with the financial performance of the company for the year.

Results and dividends

The company's profit for the financial year was £5,525,000 (2004: £11,256,000 as restated). The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: nil).

Directors and their interests

The directors of the company who served during the year were as follows:

P R Evans
K Robinson

None of the directors who held office at the end of the financial year had any disclosable interest in the shares or share options of the company or any group company except as disclosed below.

Mr P Evans is also a director of an intermediate parent undertaking, SigmaKalon (BC) UK Limited. His beneficial interest in the shares of group companies is shown in those accounts. Mr K Robinson is also a director of the immediate parent company, Kalon Investment Company Limited. His beneficial interest in the shares of group companies is shown in those accounts.

Research and development

The board places a high priority on research and technological innovation, which serves the needs of customers. The cost of such work is disclosed in note 4 to the accounts.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

Employment policies

Employees or their representatives are provided with information and consulted on matters which are, in the opinion of the directors, of concern to them as employees and likely to affect their interests. It is the policy of the company to support the employment of disabled people wherever possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

Health and safety at work has always been of prime concern. Continuous efforts are made to improve existing measures and to stimulate interest in safety in each employee.

Payment policy

The company agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided the supplier has also complied with them. The company had trade creditors outstanding at the year end representing 64 days of purchases (2004: 66 days).

Independent auditors

The company has passed elective resolutions under Sections 366A and 386(1) of the Companies Act 1985 to dispense with the requirements to hold an Annual General Meeting and to dispense with the obligation to appoint auditors annually.

On behalf of the Board



Keith Robinson

Director

23 March 2006

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £'000	2004 as restated £'000
Turnover		198,549	206,252
Cost of sales	3	(116,268)	(116,785)
Gross profit		82,281	89,467
Net operating expenses	3	(72,131)	(72,417)
Other operating income		223	328
Operating profit	4	10,373	17,378
Other interest receivable and similar income	5	1,676	790
Interest payable and similar charges	6	(648)	(67)
Other finance costs	7	(309)	(250)
Profit on ordinary activities before taxation		11,092	17,851
Tax on ordinary activities	8	(5,567)	(6,595)
Profit for the financial year	17	5,525	11,256

All of the above activities are derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £'000	2004 as restated £'000
Profit for the financial year		5,525	11,256
Actuarial gain on defined benefit scheme	15	5,453	3,520
Deferred tax associated with actuarial gain		(1,636)	(1,056)
Total recognised gains for the year		9,342	13,720
Prior year adjustment	17	(4,742)	
Total gains recognised since last annual report		4,600	

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	2004
		as restated
	£'000	£'000
Profit for the financial year	5,525	11,256
Dividends	-	(30,000)
Other recognised gains and losses relating to the year	3,817	2,464
Net addition to/(reduction in) shareholders' funds	9,342	(16,280)
Opening shareholders' funds (originally £40,956,000 before deducting a prior year adjustment of £4,742,000)	36,214	52,494
Closing shareholders' funds	45,556	36,214

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**BALANCE SHEET
AT 31 DECEMBER 2005**

	Notes	2005 £'000	2004 (restated) £'000
Fixed assets			
Intangible assets	9	31,326	34,462
Tangible assets	10	<u>13,446</u>	<u>13,988</u>
		<u>44,772</u>	<u>48,450</u>
Current assets			
Stocks	11	20,837	21,646
Debtors	12	28,176	35,712
Cash at bank and in hand		<u>4,750</u>	<u>4,249</u>
		<u>53,763</u>	<u>61,607</u>
Creditors: amounts falling due within one year	13	<u>(47,182)</u>	<u>(64,326)</u>
Net current assets/(liabilities)		<u>6,581</u>	<u>(2,719)</u>
Total assets less current liabilities		51,353	45,731
Provisions for liabilities and charges	14	<u>-</u>	<u>(528)</u>
Net assets excluding pension liability		51,353	45,203
Pension liability	15	<u>(5,797)</u>	<u>(8,989)</u>
Net assets including pension liability		<u>45,556</u>	<u>36,214</u>
Capital and reserves			
Called-up share capital	16	350	350
Profit and loss account	17	<u>45,206</u>	<u>35,864</u>
Equity shareholders' funds		<u>45,556</u>	<u>36,214</u>

These financial statements were approved by the Board of Directors on 23 March 2006 and signed on its behalf by:



Phil Evans
Director

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking, SigmaKalon Luxco S.C.A., has prepared consolidated accounts which include the accounts of the company for the year and which contain a consolidated cash flow statement, and which are publicly available.

The company has adopted FRS 17 'Retirement benefits', FRS 21 'Events after the balance sheet date' and the presentation requirements of FRS 25 'Financial instruments: Disclosure and presentation'. Note 17 explains the impact of the adoption of these accounting standards on the current and prior years.

As the company is a wholly owned subsidiary of SigmaKalon Luxco S.C.A., the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with companies that form part of the group. The consolidated financial statements of SigmaKalon Luxco S.C.A., within which this company is included, disclose this information, and can be obtained from 5, Parc d'Activité am Syrdall, L - 5365 Munsbach, Luxembourg.

b) Turnover

Turnover represents the invoiced value of sales net of value added tax in the normal course of business and is recognised upon despatch of goods sold.

c) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation. The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

The estimated useful lives of assets are as follows:

Short leasehold properties - By reference to the unexpired portion
of the lease

Plant and motor vehicles - 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account.

d) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In establishing cost, stocks and work in progress at the end of the year are taken to represent latest purchases or production.

On this basis, cost comprises:

Raw materials - purchase price

Work in progress and finished goods - raw materials, direct labour and
attributable production overheads

Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on completion and disposal.

e) Taxation

The charge for taxation is based on the result for the period. In accordance with FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is recognised in respect of tax losses to the extent that they are regarded as recoverable on the basis that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

f) Research and development

Research and development expenditure is written off in the year in which it is incurred.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

g) Pensions and retirement indemnities

The company participates in a defined benefit pension scheme. The scheme is administered by trustees and is independent of the company finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

The company contributes to a defined contribution pension plan for new employees. Contributions are charged to the profit and loss accounts as they become payable.

h) Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired. The goodwill is written off over the period in which economic benefit from the acquisition is derived. Goodwill is currently being amortised over 20 years which is, in the directors' opinion, its useful economic life. Any impairment in the value of goodwill below depreciated historical cost is charged to the profit and loss account.

i) Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives. Trademark licences are currently being amortised over 10 years which is, in the directors' opinion, their useful economic life. Any impairment in the value of intangible fixed assets below depreciated historical cost is charged to the profit and loss account.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****j) Leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The assets are depreciated in accordance with the group's normal accounting policy. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term on a straight-line basis.

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

k) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the profit and loss account.

2 Employees

	2005	2004
	£'000	(restated) £'000
a) Employment cost of employees:		
Wages and salaries	38,518	40,055
Social security costs	3,178	3,219
Other pension costs (see note 15)	4,206	4,041
	<u>45,902</u>	<u>47,315</u>
	2005	2004
	Number	Number
b) The average monthly number of people employed by the company during the year was:		
Production	488	479
Selling and distribution	1,270	1,303
Administration	115	120
	<u>1,873</u>	<u>1,902</u>
c) Directors' Emoluments:		
	2005	2004
	£'000	£'000
Fees	366	338
Other emoluments (including pension contributions and benefits in kind)	62	52
	<u>428</u>	<u>390</u>

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****2 Employees (continued)****d) Directors' Pensions**

There were 2 directors (2004: 2) who were members of the company's defined benefit pension scheme.

e) Highest paid director

The remuneration of the highest paid director, including pension contributions of £39,000 (2004: £22,000), was £307,000 (2004: £279,000).

3 Cost of sales and net operating expenses

	2005 £'000	2004 as restated £'000
Cost of sales	<u>116,268</u>	<u>116,785</u>
Net operating expenses:		
Selling and distribution costs	59,639	59,268
Administrative expenses	<u>12,492</u>	<u>13,149</u>
Total net operating expenses	<u>72,131</u>	<u>72,417</u>

Included within administration expenses in 2005 is an exceptional charge of £1,199,000 (2004: £86,000) relating to the write-down of an inter-company receivable balance.

4 Operating profit

	2005 £'000	2004 £'000
Operating profit is arrived at after charging:		
Provision against amounts receivable from group undertakings	1,199	86
Depreciation of tangible fixed assets	3,801	3,503
Loss on disposal of fixed assets	1	15
Amortisation of intangible fixed assets	3,136	3,139
Auditors' remuneration - audit services	27	65
Hire of plant and machinery - operating leases	1,902	1,271
Hire of other assets - operating leases	3,724	3,477
Research and development costs	<u>860</u>	<u>872</u>

5 Other interest receivable and similar income

	2005 £'000	2004 £'000
Receivable from group undertakings	<u>1,676</u>	<u>790</u>

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

6 Interest payable and similar charges

	2005 £'000	2004 £'000
On bank loans, overdrafts and other borrowings	<u>648</u>	<u>67</u>

7 Other finance costs

	2005 £'000	2004 £'000
Expected return on pension scheme assets	2,770	2,517
Interest on pension scheme liabilities	<u>(3,079)</u>	<u>(2,767)</u>
	<u>(309)</u>	<u>(250)</u>

8 Tax on profit on ordinary activities

	2005 £'000	2004 as restated £'000
<u>UK Corporation tax:</u>		
Current tax on income for the year	6,720	6,407
Adjustments in respect of prior years	-	326
Total current tax	<u>6,720</u>	<u>6,733</u>
<u>Deferred tax (see note 14):</u>		
Total deferred tax	<u>(1,153)</u>	<u>(138)</u>
Tax on profit on ordinary activities	<u>5,567</u>	<u>6,595</u>

Factors affecting the tax charge for the current year:

	2005 £'000	2004 as restated £'000
<u>Current tax reconciliation:</u>		
Profit on ordinary activities before tax	<u>11,092</u>	<u>17,851</u>
Current tax at 30% (2004: 30%)	3,328	5,355

Effects of:

Expenses not deductible for tax (primarily goodwill amortisation and provisions against amounts receivable from group undertakings)	1,300	1,130
Adjustments in respect of prior years	-	326
Expenses deductible for tax only when cash payment made	2,092	(78)
Total current tax charge (see above)	<u>6,720</u>	<u>6,733</u>

It is expected that a high effective tax rate will recur in the future largely as a result of non-deductible amortisation of goodwill.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

9 Intangible fixed assets

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2005 and at 31 December 2005	<u>38</u>	<u>62,634</u>	<u>62,672</u>
Amortisation			
At 1 January 2005	19	28,191	28,210
Charge for the year	<u>4</u>	<u>3,132</u>	<u>3,136</u>
At 31 December 2005	<u>23</u>	<u>31,323</u>	<u>31,346</u>
Net book value			
At 31 December 2005	<u>15</u>	<u>31,311</u>	<u>31,326</u>
At 1 January 2005	<u>19</u>	<u>34,443</u>	<u>34,462</u>

10 Tangible fixed assets

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2005	1,340	50,257	51,597
Additions	385	2,919	3,304
Disposals	-	(639)	(639)
At 31 December 2005	<u>1,725</u>	<u>52,537</u>	<u>54,262</u>
Depreciation			
At 1 January 2005	391	37,218	37,609
Charge for the year	302	3,499	3,801
Disposals	-	(594)	(594)
At 31 December 2005	<u>693</u>	<u>40,123</u>	<u>40,816</u>
Net book amount			
At 31 December 2005	<u>1,032</u>	<u>12,414</u>	<u>13,446</u>
At 1 January 2005	<u>949</u>	<u>13,039</u>	<u>13,988</u>

The net book amount of tangible fixed assets includes £ 264,000 (2004: £ nil) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £4,000 (2004: £nil).

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****11 Stocks**

	2005	2004
	£'000	£'000
Raw materials and consumables	5,386	5,195
Work in progress	789	866
Finished goods	14,662	15,585
	<u>20,837</u>	<u>21,646</u>

12 Debtors

	2005	2004
	£'000	(restated) £'000
Trade debtors	19,940	23,762
Amounts owed by group undertakings	5,090	8,369
Deferred tax asset	357	-
Other debtors	301	126
Prepayments	2,488	3,455
	<u>28,176</u>	<u>35,712</u>

13 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	21,598	22,648
Amounts owed to group undertakings	2,159	21,294
Corporation tax payable	15,953	11,461
Other taxes and social security	858	1,590
Finance lease creditor	382	-
Other creditors	1,993	4,006
Accruals and deferred income	4,239	3,327
	<u>47,182</u>	<u>64,326</u>

14 Provisions for liabilities and charges**Deferred taxation**

The deferred tax asset/(liability) at 31 December can be analysed as follows:

	2005	2004
	£'000	as restated £'000
Difference between accumulated depreciation and amortisation and capital allowances	357	(597)
Short term timing differences	-	69
Deferred tax asset/(liability)	357	(528)
Deferred tax asset on pension liability (see note 15)	2,485	3,853
	<u>2,842</u>	<u>3,325</u>

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****14 Provisions for liabilities and charges (continued)**

The movements on the deferred tax asset/(liability) can be analysed as follows:

	£'000
Deferred tax asset at 1 January 2005 as previously reported	1,292
Prior year adjustment	2,033
Deferred tax asset at 1 January 2005 as restated	3,325
Amount charged to the profit and loss account (see note 8)	1,153
Amount charged to statement of total recognised gains and losses	(1,636)
Deferred tax asset at 31 December 2005	2,842

A deferred tax asset has been recognised as the directors consider that based on the anticipation of future taxable earnings it is more likely than not that the asset will be recovered.

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 laws substantively enacted at the balance sheet date.

There are no further unrecognised deferred tax assets or unprovided deferred tax liabilities other than those stated above at either year end.

15 Pension commitments

The Company participates in a defined benefit pension scheme in the United Kingdom (the SigmaKalon UK Pension Fund).

A formal valuation was carried out as at 28 February 2003. Additional valuations using full data were performed as at 31 December 2003 for the purposes of FRS 17 and these have been updated to 31 December 2004 and 31 December 2005 by a qualified independent actuary. Around 96% of the liabilities of the SigmaKalon UK Pension Fund relate to members employed by SigmaKalon UK Limited (formerly Kalon Limited). These disclosures have been prepared based on the assets and liabilities of the fund as a whole.

The company is currently contributing 14.4% of Pensionable Salary. The next formal actuarial valuation of the SigmaKalon UK Pension Fund will be carried out as at 5 April 2006 and contributions will be reviewed at that time.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

15 Pension commitments (continued)

The major assumptions used by the actuary were:

	2005	2004	2003
Discount rate	4.75%	5.40%	5.50%
Rate of increase in salaries	3.60%	3.90%	4.30%
Rate of increase in future pensions in payment – where relating to increases in the Retail Prices Index (RPI) with a maximum of 5% pa.	2.40%	2.70%	2.60%
Rate of increase in deferred pensions	2.60%	2.90%	2.80%
Inflation assumption	2.60%	2.90%	2.80%

The assets in the scheme and the weighted average expected rate of return were:

	Long term rate of return expected 31 December 2005 %	Value at £'000	Long term rate of return expected 31 December 2004 %	Value at £'000	Long term rate of return expected 31 December 2003 %	Value at £'000
Equities	7.1	36,024	7.5	27,287	8.3	22,148
Bonds	4.4	14,916	4.9	11,905	5.2	9,553
Cash	4.5	306	4.8	84	3.8	773
Total market value of assets		51,246		39,276		32,474
Present value of scheme liabilities		(59,528)		(52,118)		(48,104)
Deficit in the scheme		(8,282)		(12,842)		(15,630)
Related deferred tax asset		2,485		3,853		4,689
Net pension liability		(5,797)		(8,989)		(10,941)

Analysis of amount charged to operating profit

	2005 £'000	2004 £'000
Current service cost	3,925	3,902
Past service cost	-	-
Total operating charge	3,925	3,902

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****15 Pension commitments (continued)****Movements in the deficit during the year**

	2005 £'000	2004 £'000
Deficit in the scheme at the beginning of the year	(12,842)	(15,630)
Current service cost	(3,925)	(3,902)
Contributions	3,341	3,420
Other finance cost	(309)	(250)
Actuarial gain	5,453	3,520
Deficit in the scheme at the end of the year	(8,282)	(12,842)

Analysis of amount debited to other finance cost

	2005 £'000	2004 £'000
Expected return on pension scheme assets	2,770	2,517
Interest on pension scheme liabilities	(3,079)	(2,767)
Net return	(309)	(250)

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	5,304	711
Experience gains and losses arising on the scheme liabilities	(3,380)	2,076
Changes in assumptions underlying the present value of the scheme liabilities	3,529	733
Actuarial gain recognised in the STRGL	5,453	3,520

Analysis of profit and loss reserve

	2005 £'000	2004 £'000
Profit and loss account excluding pension liability	51,003	44,855
Pension liability	(5,797)	(8,989)
Profit and loss account including pension liability	45,206	35,864

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****15 Pension commitments (continued)****History of experience gains and losses**

	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	5,304	711	2,589	(23.4)
Percentage of scheme assets	10.4%	1.8%	8.0%	(39.3)%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	(3,380)	2,076	1,624	(3.4)
Percentage of the present value of the scheme liabilities	(5.7)%	4.0%	3.4%	(3.3)%
Total amount recognised in the statement of total recognised gains and losses:				
Amount (£'000)	5,453	3,520	(211)	(12.2)
Percentage of the present value of the scheme liabilities	9.2%	6.8%	(0.4)%	(11.8)%

Summary of the movement in deferred tax on the net pension liability:

	2005	2004
	£'000	£'000
Brought forward 1 January	3,853	4,689
Debited through statement of total recognised gains and losses	(1,636)	(1,056)
Credited through the profit and loss account	268	220
Deferred tax at 31 December	<u>2,485</u>	<u>3,853</u>

Group Personal Pension

The company also pays contributions to a Group Personal Pension ("GPP") in respect of certain employees. The company's contributions to the GPP in the period up to 31 December 2005 were £281,173 (2004: £139,428).

16 Called up share capital

	2005	2004
	£'000	£'000
Authorised:		
65,000,000 ordinary shares of £1 each	<u>65,000</u>	<u>65,000</u>
Allotted, issued and fully paid:		
350,000 ordinary shares of £1 each	<u>350</u>	<u>350</u>

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****17 Profit and loss account**

	£'000
At 1 January 2005 as previously reported	40,606
Prior year adjustment	(4,742)
At 1 January 2005 as restated	35,864
Profit for the financial year	5,525
Actuarial gain re defined pension plan	5,453
Deferred tax re actuarial gain	(1,636)
Closing balance at 31 December	45,206

On adoption of FRS 21 'Events after the balance sheet date', the final dividend proposed for the year ended 31 December 2003 of £30 million and originally recognised in those financial statements, has now been recognised when paid in the financial statements for the year ended 31 December 2004. There is no impact on the net assets as at 31 December 2005 or the results for the year then ended.

The company has also adopted the presentation requirements of FRS 25 'Financial instruments: Disclosure and presentation'. The main effect of this is to reposition dividends from the profit and loss account to the profit and loss reserve.

In addition, the company has adopted FRS 17 'Retirement benefits' in full which has resulted in a prior year adjustment. The prior year adjustment can be analysed as follows

	£'000
Reversal of SSAP 24 pension provision	6,067
Reversal of associated deferred tax asset	(1,820)
Inclusion of FRS 17 net pension liability	(8,989)
	(4,742)

The effect of adoption of FRS 17 is to reverse the SSAP 24 provision and associated deferred tax asset and include the net pension liability calculated in accordance with FRS 17.

Had the company continued to report under SSAP 24, the pension charge for the year would have been £2,826,000, and the provision at the end of the year would have been £5,553,000 together with an associated deferred tax asset of £1,666,000. The effect of adoption of FRS 17 on the results for the year ended 31 December 2005 is to reduce profit before tax by £1,099,000 and reduce net assets by £1,910,000. The effect on the results for the year ended 31 December 2004 is to reduce profit before tax by £1,290,000 and reduce net assets by £4,742,000.

18 Commitments

	2005 £000	2004 £000
a) Future capital expenditure Contracted for, but not provided in the accounts	360	383

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005****18 Commitments (continued)****b) Leasing commitments**

The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows:

	2005	2004
	£'000	£'000
Land and building leases expiring:		
within 1 year	464	259
between 1 and 2 years	423	218
between 2 and 5 years	721	1,108
beyond 5 years	1,852	1,839
	3,460	3,424

Plant and motor vehicles leases expiring:

	2005	2004
	£'000	£'000
within 1 year	428	295
between 1 and 2 years	498	428
between 2 and 5 years	818	738
	1,744	1,461

19 Contingent liabilities

The company is party to cross guarantees given by the new group in respect of Senior debt facility and Mezzanine facility. As a result of this a proportion of the total debt is secured under a fixed and floating charge against the assets of the company.

Following a refinancing exercise carried out by the group in 2005 Senior debt finance has increased from €769m to €972m and the Mezzanine facility increased from €100m to €132m, resulting in an overall increase of €235m.

The company has valued its potential liability to pay a long service awards in accordance with the rules of IFRS. This exercise resulted in an estimated valuation as at December 2005 of £1,565,000 (2004: £1,446,000).

In the opinion of the directors, no loss will arise in connection with these matters.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2005

20 Ultimate parent undertaking

The directors regard SigmaKalon Luxco S.C.A., a company incorporated and registered in Luxembourg, as the ultimate parent company by virtue of its 100% interest in the equity share capital of the company and which prepares consolidated financial statements. Copies of the ultimate parent's consolidated financial statements may be obtained from 5, Parc d'Activité am Syrdall, L – 5365 Munsbach, Luxembourg.

The directors regard Bain Capital, a company registered in the United States of America, as the ultimate controlling party of the company.

SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMAKALON UK LIMITED (FORMERLY KALON LIMITED)

We have audited the financial statements of Sigmakalon UK Limited (formerly Kalon Limited) for the year ended 31 December 2005 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

24 March 2006