

CO NO: 4530131

2M HOLDINGS LIMITED
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

COMPANIES HOUSE COPY

2M HOLDINGS LIMITED

COMPANY FORMATION

Company number: 4530131

Directors: I J Thomas
M Kessler

Secretary: I J Thomas

Registered office: St Alphage House
2 Fore Street
London
EC2Y 5DH

Business address: Hampton Court
Manor Park
Runcorn
Cheshire
WA7 1TU

Auditors: UHY Hacker Young
St Alphage House
2 Fore Street
London EC2Y 5DH

Bankers: Royal Bank of Scotland
62-63 Treadneedle Street
London
EC2R 8LA

2M HOLDINGS LIMITED

DIRECTORS REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

The directors present their report for the period 1 October 2003 to 31 December 2004.

Principal activities and review of the business

The principal activity of the company is to act as a holding company.

On 2 September 2004, its subsidiary company Banner Chemicals Holdings Limited acquired 100% of the share capital of Banner Chemical Limited. Banner Chemicals Limited and its subsidiaries' principal activities are the formulation and distribution of chemicals and solvents.

Change of accounting reference date

As a result of the acquisition of Banner Chemicals Limited the accounting reference date of the company was extended to 31 December 2004 to coincide with the year end of the subsidiary undertakings.

Share capital

On 2 September 2004 the company issued for cash 250,000 ordinary shares of £1 each to its existing shareholders.

Results and dividends

The Group results for the period are set out on page 4. The directors do not recommend the payment of a dividend for the period under review. Retained Profits of £181,471 are transferred to reserves.

Directors interests

According to the register kept by the company the directors had interests in the shares of the Company at the beginning and end of the period as follows:

	Ordinary shares of £1 each	
	31 December 2004	30 September 2003
I J Thomas	130,000	5,000
M Kessler	130,000	5,000

There have been no further changes in the interests of the directors in the share capital of the company between 31 December 2004 and the date on which these accounts were signed.

Interests in contracts

In the period under review, no director had a material interest in any contracts of significance with the company or with any other member of the Group.

Employment policy

2M HOLDINGS LIMITED

DIRECTORS REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

During the period the Group has maintained close consultation with its employees in matters likely to affect their interests and is committed to involving them in the performance and development of the Group.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development.

Creditor payment policy

It is the Group's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services received are in accordance with the agreed terms and conditions.

Statement of directors' responsibilities

Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period. It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the Company and the Group and take reasonable steps in preventing and detecting fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts on a going concern basis.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing that UHY Hacker Young be reappointed as auditors to the Company will be put to the Annual General Meeting.

By order of the Board



I J Thomas
Secretary

31 August 2005

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF 2M HOLDINGS LIMITED**

We have audited the financial statements of 2M Holdings Limited on pages 4 to 25 for the period ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the directors' report on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

UHY Hacker Young

UHY Hacker Young
Chartered Accountants
Registered Auditors

31 August 2005

2M HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Notes	£
Turnover	2	11,859,245
Cost of sales		(8,740,063)
		<hr/>
Gross profit		3,119,182
Distribution costs		(517,815)
Administration costs		(2,256,098)
Amortisation of goodwill		(19,827)
Other income		15,383
		<hr/>
Operating profit	3	340,825
Interest received	4	9,277
Interest payable and similar charges	5	(139,892)
		<hr/>
Profit on ordinary activities before taxation		210,210
Taxation	8	(28,739)
		<hr/>
Retained profit for period	20	<u>181,471</u>


There are no recognised gains and losses other than those passing through the profit and loss account.

2M HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004**

	Notes	£	£
Fixed assets			
Intangible assets	10		1,169,793
Tangible assets	11		3,634,582
			<hr/>
			4,804,375
Current assets			
Debtors and prepayments	13	7,561,084	
Stocks	14	2,929,826	
Cash at bank and in hand		211,139	
		<hr/>	
		10,702,049	
Creditors: amounts falling due within one year	15	(10,819,009)	
		<hr/>	
Net current liabilities			(116,960)
			<hr/>
Total assets less current liabilities			4,687,415
Creditors: Amounts falling due after one year	16		(1,553,858)
Provision for liabilities and charges	17		(67,195)
			<hr/>
Net assets excluding pension liabilities			3,066,362
Pension liability	18		(2,640,000)
			<hr/>
Net assets including pension liability			426,362
			<hr/> <hr/>
Capital and reserves			
Called up share capital	19		260,000
Profit and loss account	20		166,362
			<hr/>
Total Capital employed	21		426,362
			<hr/> <hr/>

The accounts were approved by the Board on 31 August 2005

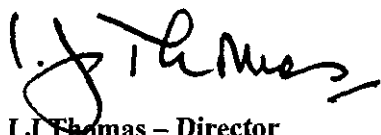

I J Thomas – Director


M Kessler – Director

2M HOLDINGS LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2004**

	Notes	31 December 2004	30 September 2003
Fixed assets			
Investments	12	250,000	100
Current assets			
Debtors	13	6,604	20,247
Cash at bank and in hand		944	15,054
		<u>7,548</u>	<u>35,301</u>
Creditors: amounts falling due within one year	15	<u>(16,077)</u>	<u>(40,510)</u>
Net current liabilities		<u>(8,529)</u>	<u>(5,209)</u>
Total assets less current liabilities		<u>241,471</u>	<u>(5,109)</u>
Capital and reserves			
Called up share capital	19	260,000	10,000
Profit and loss account	20	<u>(18,529)</u>	<u>(15,109)</u>
Total capital employed		<u>241,471</u>	<u>(5,109)</u>

The accounts were approved by the Board on 31 August 2005



I J Thomas – Director



M Kessler – Director

2M HOLDINGS LIMITED**CONSOLIDATED CASHFLOW STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2004**

	Notes	£	£
Net cash inflow from operating activities	22		2,310,440
Returns on investment and servicing of finance			
Net bank interest			(130,615)
Taxation paid			(56,781)
Capital expenditure and financial investment payment to acquire tangible fixed assets			(98,551)
Acquisitions			
Purchase of subsidiary undertakings	12(b)	(3,689,286)	
Bank loans and overdrafts of subsidiary undertakings	23	(4,604,493)	
		<hr/>	
Net cash outflow from acquisition			(8,293,779)
			<hr/>
Net cash outflow before financing			(6,269,286)
Financing			
Proceeds from issue of shares		250,000	
Bank loan received		1,458,479	
Finance lease payments		(16,605)	
		<hr/>	
Cash inflow from financing			1,691,874
			<hr/>
Cash outflow in the period	23		(4,577,412)
			<hr/> <hr/>

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

1. Accounting policies

The significant accounting policies, which have been applied in preparing the accounts are as follows:

1.1. Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all its subsidiary undertakings drawn up to 31 December 2004 using the principle of acquisition accounting. Intra-group sales, transactions and profits are eliminated on consolidation.

The accounts of the company and its wholly owned subsidiary undertaking Banner Chemicals Holdings Limited cover the period from 1 October 2003 to 31 December 2004. The results of Banner Chemicals Limited and its subsidiary undertakings acquired on 2 September 2004 are consolidated from 31 August 2004 as these were the figures used as part of the assessment of the fair value of the net assets acquired.

1.3 Goodwill

Goodwill is the difference between the amount paid on the acquisition of a company and the aggregate fair value of its separable net assets. Goodwill is capitalised as an intangible fixed asset and is amortised over the directors' estimate of its useful life of 20 years. If a subsidiary undertaking is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit and loss on sale.

1.4 Impairment of value

The group undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

1.5 Turnover

Turnover represents amounts receivable for goods and services, net of VAT and trade discounts.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Freehold buildings	-	50 years
Plant and machinery	-	10-20 years
Fixtures, fittings and equipment	-	3-10 years

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

1.7 Investments

Investments are stated at cost less any provision for impairment.

1.8 Deferred Tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.11 Foreign currencies

Trading results are translated into sterling using the rate of exchange as at the transaction date. *Monetary assets and liabilities denominated in foreign currencies are translated using 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.*

1.12 Pensions

Companies within the Group operate a defined benefit pension scheme for all eligible employees. Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

The companies within the group also participate in a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable within the rules of the scheme.

2M HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

2. Turnover

Group turnover arises from the principal activity and arises predominately in the United Kingdom.

**The Group to
31 December 2004**

3. Operating profit

Operating profit is stated after charging:

Depreciation of tangible fixed assets	78,570
Auditors remuneration	10,000
Amortisation of goodwill	19,827
Loss of foreign exchange	31,567
Operating lease rentals	49,901
	=====

4. Interest received

Bank interest received	9,277
	=====

5. Interest payable and similar charges

Bank interest	137,336
Hire purchase interest	2,556

	139,892
	=====

2M HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

**The Group to
31 December 2004**

6. Staff numbers and costs

The average number of people employed by the Group
(including directors) during the period was as follows:

	Number
Average number of employees during the period	62 ===
Staff costs, including directors:	
	£
Wages and salaries	629,801
Social security	74,428
Other pension costs	79,763
	<hr/>
	783,992 =====

7. Directors emoluments

The emoluments of the directors of the Company for qualifying purposes during the period was £16,000 (2003 – nil). One director did not receive emoluments in the period.

8. Taxation

**The Group to
31 December 2004**

UK corporate tax

Current tax charge	14,760
	<hr/>
	14,760 <hr/>

Deferred tax

Current period	13,979
	<hr/>
	13,979 =====

Tax on profit on ordinary activities

28,739
=====

2M HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

Factors affecting the tax charge for the period

Profit on ordinary activities before taxation	210,210
	=====
Profit on ordinary activities before taxation multiplied by standard rate of UK corporate tax of 19%.	39,940

Effects of:	
Non-deductable expenses	7,467
Depreciation	39,020
Capital allowances	(28,653)
Tax losses utilised	(3,650)
Other tax adjustment	(39,364)

	(25,180)
	=====
Current tax charge	14,760
	=====

9. Profit attributable to members of the parent company

The company has taken advantage of the exemption under Section 230 of the Companies Act 1985 in not presenting its own profit and loss account. The loss after taxation amounted to (£3,420) for the period ended 31 December 2004 has been dealt with in the accounts of the parent company.

10 Intangible fixed assets

	Goodwill
	£
Group	
Cost	
Additions (Note 12(b))	1,189,620
Amortisation	
Charge for the period	19,827

Net book value	
At 31 December 2004	1,169,793
	=====

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

Goodwill arose from the acquisition of the company's subsidiaries on 2 September 2004. Details of the subsidiaries are shown in note 12.

Goodwill is amortised over the period which the directors' estimate will represent its useful economic life, being 20 years.

11. Tangible fixed assets

Group	Freehold land and buildings	Plant and equipment	Total
Cost			
Acquired with subsidiary	1,894,778	3,370,885	5,265,663
Fair value adjustment (note 12(b))	1,050,000	-	1,050,000
Additions	-	98,551	98,551
	<hr/>	<hr/>	<hr/>
At 31 December 2004	2,944,778	3,469,436	6,414,214
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
Acquired with subsidiary	287,480	2,413,582	2,701,062
Charge for the period	13,029	65,541	78,570
	<hr/>	<hr/>	<hr/>
At 31 December 2004	300,509	2,479,123	2,779,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2004	2,644,269	990,313	3,634,582
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Freehold land and buildings include non-depreciable land with a value of £2,175,000.

The net book value of tangible fixed assets, including £214,904 in respect of assets held under lease and hire purchase contracts. Depreciation charged in the period on these assets amounted to £16,508.

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

12. Fixed asset investment

a) Investment	Shares in subsidiary undertakings £
Cost	
At 1 October 2003	100
Additions	249,900
	<hr/>
At 31 December 2004	250,000
	<hr/> <hr/>

The Group's subsidiary undertakings (all incorporated in the UK) at 31 December 2004 were as follows:

Subsidiary undertakings	Activities	Ownership
Banner Chemicals Holdings Limited	Holding company	100%
Held by other Group undertakings		
Banner Chemicals Limited	Holding company	100%
Samuel Banner & Co Limited	Formulation and distribution of Solvents and performance cleaning product	100%
Prism Chemicals Limited	Blending and formulation of solvents and chemical products	100%

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

b) Acquisition during the period

The Groups share of net assets in respect of the acquisition of the Banner Chemicals Limited group and the goodwill arising are set out in the table below. The fair value adjustments necessary were in respect of the revaluation of freehold land, the pension scheme liability and deferred tax.

	Book Value £	Revaluation £	Fair value £
Tangible fixed assets	2,564,601	1,050,000	3,614,601
Current assets	10,902,039	-	10,902,039
Creditors and provisions	(9,323,758)	-	(9,323,758)
Pension scheme liability	-	(2,640,000)	(2,640,000)
Deferred taxation	-	(53,216)	(53,216)
	<u>4,142,882</u>	<u>(1,643,216)</u>	<u>2,499,666</u>
Goodwill arising (note 10)			<u>1,189,620</u>
			<u>3,689,286</u>
Consideration			
Cash			<u>3,689,286</u>

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 2004

- c) The results of 2M Holdings and its subsidiary companies showed a profit after taxation in the year ended 31 December 2004 of £1,062,000 of which £881,000 arose in the period 1 January 2004 to 31 August 2004.

The summarised profit and loss account from 1 January 2004 to the date on which the acquisition occurred is as follows:-

	£
Turnover	24,049,000
Gross profit	6,268,000
Profit on ordinary activities before taxation	1,081,000
Taxation	(200,000)
Profit on ordinary activities after taxation	881,000

13 Debtors	31 December 2004	30 September 2003
	The Group £	The Company £
Trade debtors	6,601,281	-
Other debtors	666,692	20,247
Prepayments	293,111	-
Due from subsidiary undertakings	-	6,604
	7,561,084	20,247

14 Stocks		
Furnished goods and goods for resale	2,929,826	-
	2,929,826	-

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

15. Creditors: Amounts falling due within one year

	31 December 2004		30 September 2003
	The Group	The Company	The Company
	£	£	£
Bank loans and overdrafts (secured)	4,788,548	-	-
Trade creditors	1,871,793	-	-
Corporation tax	145,380	-	-
Other taxes and social security	615,665	-	-
Other creditors	1,204,183	-	-
Accruals	2,143,625	3,500	7,858
Hire purchase liability	49,815	-	-
Due to subsidiary undertakings	-	12,577	-
Directors loans	-	-	32,652
	<u>10,819,009</u>	<u>16,077</u>	<u>40,510</u>

The bank loans and overdrafts are secured by a legal charge over the assets of the group, a charge over its debts and cross guarantees of all companies in the group.

The group has entered into a three year interest rate swap on £4,000,000 of the bank loans and overdrafts at a fixed rate of 5.10% plus margin. The swap expires on 4 November 2007.

16 Creditors: Amounts due after one year

	31 December 2004		30 September 2003
	The Group	The Company	The Company
	£	£	£
Bank loans (secured)	1,458,478	-	-
Hire purchase liabilities	95,380	-	-
	<u>1,553,858</u>	<u>-</u>	<u>-</u>
Bank loan maturity analysis			
Within one year	116,522	-	-
Between one and two years	233,044	-	-
Between two and five years	699,122	-	-
In five years or more	526,312	-	-
	<u>1,575,000</u>	<u>-</u>	<u>-</u>
Less:			
Falling due within one year	116,522	-	-
	<u>1,458,478</u>	<u>-</u>	<u>-</u>

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

16	Creditors: Amounts due after one year (Cont/d)	31 December 2004	30 September 2003
	The Group £	The Company £	The Company £
	Net obligations under finance		
	Leases and hire purchase contracts		
	Repayable within one year	57,304	-
	Repayable between one and five years	109,885	-
		<hr/>	<hr/>
		167,189	-
	Finance charges and interest		
	Allocated to future periods	(21,994)	-
		<hr/>	<hr/>
		145,195	-
	Included within one year	(49,815)	-
		<hr/>	<hr/>
		95,380	-
		<hr/>	<hr/>

The bank loans are secured by a debenture and unlimited guarantees of the parent company and its subsidiary undertakings and by a first charge of the freehold land and buildings and associated assets of subsidiary undertakings.

17. Provision for liabilities and charges

	The Group 31 December 2004 £
Deferred taxation	
On acquisition of subsidiary undertaking	53,216
Profit and loss account	13,979
	<hr/>
	67,195
	<hr/>
Deferred taxation provided in these accounts as follows:	
Accelerated capital allowance	68,615
Other timing differences	(1,420)
	<hr/>
	67,195
	<hr/>

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

18. Pension liability

The Banner Chemicals Group operates a defined Contribution Scheme. The pension cost charge for the 12 months to 31 December 2004 was £30,183 (2003: £29,909). There were no outstanding or unpaid contributions at the beginning or end of the year.

Companies within the Banner Chemicals Group operate a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Banner Chemicals Group, being invested with a managed pension fund. The disclosures below are in respect of the full twelve month period including comparative information for periods prior to the acquisition that occurred on 2 September 2004, due to the fact that the scheme was already in existence. The historical information relating to the scheme was considered to be more appropriate for disclosure than restricting this information to the period following the acquisition.

The most recent valuation was at 1 April 2002. The principle actuarial assumptions made were that investment returns would exceed salary increases by an average of 1.75% per annum and that present and future pensions would increase at the rate of 5.0% per annum in respect of pension accrued prior to 1 October 2000 by members joining before 1 April 1995, and 3.0% in respect of other accrued pension. The market value of assets of the scheme was £7.32 million and the actuarial valuation of these assets represented 77% of the value of benefits that had accrued to members. The companies within the Banner Chemicals Group are currently making contributions, as recommended by the scheme's actuaries on the basis of triennial valuations using the attained age method.

The Banner Chemicals Group has closed the final Salary Scheme to new entrants.

The total pension cost for the scheme for the year ended 31 December 2004 was £218,000 (2003 - £237,000).

The Banner Chemicals Group made contributions totalling £278,000 in the year ended 31 December 2004 (2003 - £208,000).

There was a balance sheet prepayment of £412,000 at 31 December 2004 (2003 - £322,000), reflecting the excess of the contributions paid to the scheme over the accumulated annual pension cost.

FRS 17 requires the actuary to use a particular set of assumptions which produce a significantly different result from the conventional actuarial method. For the evaluation at 31 December 2004 the basis for FRS17 was more conservative than the basis used for the triennial valuation used by the scheme trustees and the employer to set the pace of scheme funding. The trustees invest predominantly in equities and expect extra investment returns from this. The FRS does not allow this expectation of extra returns to be taken into financial reporting of the deficit. Nor does the FRS allow for the surplus or deficit to be spread over the period when recovery would normally take place. This means that the total surplus or deficit must be declared at the balance sheet date. In the current period of relatively poor investment performance these factors result in a deficit being declared.

The scheme's deficit shown below under the FRS 17 basis is £3,772,000 as at 31 December 2004 (2003: Deficit £3,752,000). As discussed above, the deficit using the actuarial valuation's assumptions is approximately £2,186,000 as at 1 April 2002.

The main financial assumptions used at the balance sheet date to calculate scheme liabilities under FRS 17 are:

2M HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2004

Valuation method	2004 Projected unit	2003 Projected unit	2002 Projected unit
Discount rate	5.2%	5.5%	5.75%
Inflation rate	2.9%	2.75%	2.25%
Increase to pensions and deferred pensions	2.9%	2.75%	2.25%
Salary increases	3.9%	4.25%	3.75%

The directors have relied upon advice from A. Mackenzie, Fellow of the Faculty & Actuaries in determining the financial assumptions. The salary increase assumption includes an allowance of 1.0% (1.5% for 2003 and 2002) above inflation to cover promotional increases and any special awards.

2M HOLDINGS LIMITED

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

18. Pension scheme (continued)

The assets in the pension scheme and the expected rates of return were:

	Rate of return Expected at 2004	Value at 2004 £	Rate of return expected at 2003	Value at 2003 £	Rate of return expected at 2002	Value at 2002 £
Equities	7.5%	3,768,000	7.75%	3,570,000	8.0%	3,050,000
Bonds	5.25%	3,938,000	4.75%	3,594,000	4.50%	4,049,000
Others	4.75%	1,107,000	3.75%	711,000	4.5%	216,000
Total market value of scheme assets		8,813,000		7,875,000		7,315,000
Present value of the scheme's liabilities (provided by the actuary)		(12,585,000)		(11,627,000)		(10,125,000)
Deficit in the scheme at 31 December 2004		(3,772,000)		(3,752,000)		(2,810,000)
Related deferred tax asset		1,132,000		1,126,000		843,000
Net pension liability		(2,640,000)		(2,626,000)		(1,967,000)

2M HOLDINGS LIMITED

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

18. Pension scheme (Continued)

	2004	2003	2002
Analysis of the amount charged to operating profit			
Current service cost	(93,000)	(77,000)	(80,000)
	<u> </u>	<u> </u>	<u> </u>
Total operating charge	<u>(93,000)</u>	<u>(77,000)</u>	<u>(80,000)</u>
	<u> </u>	<u> </u>	<u> </u>
Analysis of amount credited to other finance income			
Expected return on pension scheme assets	474,000	435,000	538,000
Interest cost	(635,000)	(575,000)	(523,000)
	<u> </u>	<u> </u>	<u> </u>
Net return	<u>(161,000)</u>	<u>(140,000)</u>	<u>15,000</u>
	<u> </u>	<u> </u>	<u> </u>
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)			
Actual return less expected return on pension scheme assets	406,000	146,000	(958,000)
Experience gains and losses arising on the scheme liabilities	181,000	(179,000)	(113,000)
Changes in assumptions underlying the scheme liabilities	(631,000)	(900,000)	(614,000)
	<u> </u>	<u> </u>	<u> </u>
Actuarial loss recognised in STRGL	<u>(44,000)</u>	<u>(933,000)</u>	<u>(1,685,000)</u>
	<u> </u>	<u> </u>	<u> </u>
Movements in deficit during the year			
Deficit in scheme at beginning of the year	(3,752,000)	(2,810,000)	(1,263,000)
Movement in year:			
Current service cost	(93,000)	(77,000)	(80,000)
Contributions	278,000	208,000	203,000
Net interest/return on assets	(161,000)	(140,000)	15,000
Actuarial loss	(44,000)	(933,000)	(1,685,000)
	<u> </u>	<u> </u>	<u> </u>
Deficit in scheme at the end of the year	<u>(3,772,000)</u>	<u>(3,752,000)</u>	<u>(2,810,000)</u>
	<u> </u>	<u> </u>	<u> </u>

2M HOLDINGS LIMITED**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

19. Share capital

Authorised	£
500,000 ordinary shares of £1 each (2003 250,000 ordinary shares of £1 each)	500,000 =====

Issued and fully paid

260,000 ordinary shares of £1 each (2003 – 10,000 ordinary shares of £1 each)	260,000 =====
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On 2 September 2004 the company issued 250,000 issued share of £1 each to the existing shareholders to part finance the acquisition of Banner Chemicals Limited and its subsidiary undertakings.

20. Profit and loss account

	The Group £	The Company £
Retained loss at 1 October 2003 – the company	(15,109)	(15,109)
Retained profit/loss for the period	181,471 -----	(3,420) -----
At 31 December 2004	166,362 =====	(18,529) =====

21. Reconciliation of movement of shareholders funds

Profit for the period	181,471
Issue of shares during the period	250,000 -----
Net addition to shareholders fund	431,471
Opening shareholders funds	(5,109) -----
At 31 December 2004	426,362 =====

2M HOLDINGS LIMITED

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

22. Reconciliation of operating profit to net cash inflow from operating activities

	Period ended 31 December 2004
	Group £
Operating profit	340,825
Depreciation	78,570
Amortisation of goodwill	19,827
Decrease in debtors	625,861
Increase in stocks	(221,209)
Increase in creditors	1,466,566
	<hr/>
Net cash inflow from operating activities	2,310,440
	<hr/> <hr/>

23. Analysis of net debt

	At 1 October 2003	Cash flow	Acquired With subsidiaries	At 31 December 2004
Cash at bank	-	211,136	-	211,136
Bank overdraft	-	(184,055)	(4,604,493)	(4,788,548)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	27,081	(4,604,493)	(4,577,412)
Bank loan	-	(1,458,479)	-	(1,458,479)
Hire purchase liability	-	16,605	(161,800)	(145,195)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	-	(1,414,793)	(4,766,293)	(6,181,086)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24. Reconciliation of net cashflow movement in net debt

	Period ended 31 December 2004 £
Increase in bank loans and overdrafts	(4,577,412)
Cash outflow from increase in debt	(1,603,674)
	<hr/>
Change in net debt resulting from cashflows and net debt at 31 December 2004	(6,181,086)
	<hr/> <hr/>

2M HOLDINGS LIMITED**NOTES TO THE ACCOUNTS****FOR THE PERIOD ENDED 31 DECEMBER 2004**

25. Financial commitments

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Other
Expiry date		
Within one year	-	4,004
Between two and five years	60,600	4,295
	<hr/>	<hr/>
	60,600	8,299
	<hr/>	<hr/>

26. Control

2M Holdings Limited is controlled by M. Kessler

27. Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standards No. 8 from the requirement to make disclosures concerning 2M Holdings Limited and its subsidiary undertakings.