

**SIGMAKALON UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

TUESDAY



\*A5BGNU8V\*

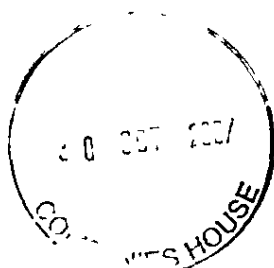
A63

30/10/2007

279

COMPANIES HOUSE

**COMPANY NO: 436135**



## **SIGMAKALON UK LIMITED**

### **DIRECTORS' REPORT**

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

#### **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 results for the company show a pre-tax profit of £14.8m (2005 £11.1m) for the year and sales of £196.8m (2005 £198.5m)

#### **Business environment**

The UK decorative products market remains highly competitive, with four major suppliers making up the vast majority of supply into the paint market. Three of the four major suppliers (including the company), supply both the trade and retail sectors of the market.

The retail market is driven by the DIY multiple retailers, who generally see decorative products as a staple item, and have therefore tended to pursue "everyday low price" strategies, squeezing margins for the manufacturers, and leading to a decline in the independent retail sector. Market conditions in retail remained difficult during 2006 with the multiple retailers pursuing discounting strategies in an attempt to stimulate the market and win market share.

The smaller trade market has shown itself to be more resilient to changing economic conditions, with slow but steady growth year on year.

Within this competitive environment the company has differentiated itself from its competitors through a focus on customer service and excellent value for money.

#### **Strategy**

The company's overriding objective is to achieve attractive and sustainable rates of growth and return, principally through organic growth.

There are three key elements to the company's growth strategy. They are:

- Building a comprehensive product range that meets the needs of both the consumer and the trade painter/ decorator,
- Investment in the development of the company's owned Decorating Centre network,
- Training and development of all employees in order to enhance opportunities and potential for progression, and to ensure that our employees deliver on our customer service promise.

## SIGMAKALON UK LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### Future outlook

The Commercial environment is expected to remain competitive in 2007 and beyond, but the signs are that following two relatively depressed years, the market is improving with confidence starting to return to the consumer base

Following a period of consolidation and investment across our trade Decorating Centre network, and in our brand/ product offering across all sectors, we remain confident that we can maintain and improve our levels of performance in the future

#### Principal risks and uncertainties

##### Competition

With relatively low barriers to entry, the UK market remains susceptible to low cost new entrants, particularly in private label. In order to mitigate this risk, the company maintains a constant focus on cost management, working with customers in order to identify and share benefits from improvements in the supply chain

##### Routes to market

A key component of the company's business is the supply of decorative products to the independent trade and retail sectors. These routes to market remain under pressure, as a result of the growth and pricing strategies of the DIY multiple retailers, and as a result of the expansion of manufacturers' owned outlets within the trade arena. In order to mitigate against this risk, the company continues to invest in raising the awareness and profile of its brands and products, working in partnership with the independent sector in order to provide excellent margin earning potential for the independent and to offer the trade professional painter a quality brand, product and service via our owned outlets throughout the UK

#### Key Performance Indicators

Performance during the year, together with comparative data is set out in the table below

	2006	2005	Definition, method of calculation and analysis
Gross profit (%)	40.3%	41.4%	The ratio of gross profit to sales expressed as a percentage. Gross profit is down year on year as a result of pricing within the DIY multiple sector, and as a result of very high levels of raw material inflation experienced during the year.
Return on sales (%)	6.3%	5.2%	Operating profit expressed as a percentage of sales. Return on sales is slightly improved on last year, aided by the partial release of a provision against an inter company loan, following partial repayment of the loan.
Return on invested capital (%)	21.1%	22.8%	Operating profit expressed as a percentage of net assets. Return on invested capital is in line with our expectations and broadly consistent with the previous year.

## **SIGMAKALON UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005 nil)

#### **Directors**

The directors of the company who served during the whole of the year ended 31 December 2006, were as follows

P R Evans  
K Robinson

#### **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.

#### **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 75 days of purchases (2005 68 days).

#### **Statement of disclosure of information to auditors**

The Directors of the company at the date of this report confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps he ought to have taken as a director in order to make himself aware of any audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

**SIGMAKALON UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**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

A handwritten signature in black ink, appearing to read 'Keith Robinson', written in a cursive style.

**Keith Robinson**

**Director**

25 October 2007

## **SIGMAKALON UK 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

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>		<b>196,790</b>	<b>198,549</b>
Cost of sales	3	(117,513)	(116,268)
<b>Gross profit</b>		<b>79,277</b>	<b>82,281</b>
Net operating expenses before exceptional item	3	(71,891)	(70,932)
Exceptional item	3	5,024	(1,199)
Total net operating expenses	3	(66,867)	(72,131)
Other operating income		-	223
<b>Operating profit</b>	4	<b>12,410</b>	<b>10,373</b>
Interest receivable and similar income	5	2,613	1,676
Interest payable and similar charges	6	(480)	(648)
Other finance costs	7	296	(309)
<b>Profit on ordinary activities before taxation</b>		<b>14,839</b>	<b>11,092</b>
Tax on ordinary activities	8	(4,344)	(5,567)
<b>Profit for the financial year</b>	17	<b>10,495</b>	<b>5,525</b>

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 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		10,495	5,525
Actuarial gain on defined benefit scheme	15	4,041	5,453
Deferred tax associated with actuarial gain	14	(1,212)	(1,636)
Total recognised gains for the year		<b>13,324</b>	<b>9,342</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'000	2005 £'000
Profit for the financial year	10,495	5,525
Other recognised gains and losses relating to the year	2,829	3,817
Net addition to shareholders' funds	13,324	9,342
Opening shareholders' funds	45,556	36,214
Closing shareholders' funds	<b>58,880</b>	<b>45,556</b>

# SIGMAKALON UK LIMITED

## BALANCE SHEET AT 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	9	28,190	31,326
Tangible assets	10	<u>14,563</u>	<u>13,446</u>
		<u>42,753</u>	<u>44,772</u>
<b>Current assets</b>			
Stocks	11	23,037	20,837
Debtors	12	71,288	28,176
Cash at bank and in hand		<u>1,150</u>	<u>4,750</u>
		<u>95,475</u>	<u>53,763</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(74,807)</u>	<u>(47,182)</u>
<b>Net current assets</b>		<u>20,668</u>	<u>6,581</u>
<b>Total assets less current liabilities</b>		<b>63,421</b>	<b>51,353</b>
<b>Provisions for liabilities and charges</b>	14	<u>(1,070)</u>	<u>-</u>
<b>Net assets excluding pension liability</b>		<b>62,351</b>	<b>51,353</b>
<b>Pension liability</b>	15	<u>(3,471)</u>	<u>(5,797)</u>
<b>Net assets including pension liability</b>		<u><b>58,880</b></u>	<u><b>45,556</b></u>
<b>Capital and reserves</b>			
Called-up share capital	16	350	350
Profit and loss account	17	<u>58,530</u>	<u>45,206</u>
<b>Equity shareholders' funds</b>		<u><b>58,880</b></u>	<u><b>45,556</b></u>

These financial statements were approved by the Board of Directors on 2007 and signed on its behalf by

25 October



**Phil Evans**  
**Director**



## **SIGMAKALON UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006**

#### **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

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

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

## **SIGMAKALON UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006**

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.

#### **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.

## **SIGMAKALON UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006**

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.

#### **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.

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 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

	2006 £'000	2005 £'000
a) Employment cost of employees		
Wages and salaries	39,188	38,518
Social security costs	3,057	3,178
Other pension costs (see note 15)	4,514	4,206
	<u>46,759</u>	<u>45,902</u>
	2006 Number	2005 Number
b) The average monthly number of people employed by the company during the year was		
Production	479	488
Selling and distribution	1,258	1,270
Administration	117	115
	<u>1,854</u>	<u>1,873</u>
c) Directors' Emoluments		
	2006 £'000	2005 £'000
Fees	392	366
Other emoluments (including pension contributions and benefits in kind)	57	62
	<u>449</u>	<u>428</u>

### d) Directors' Pensions

The directors were both members of the company's defined benefit pension scheme in both years.

### e) Highest paid director

The remuneration of the highest paid director, including pension contributions of £36,000 (2005 £39,000), was £332,000 (2005 £307,000).

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 3 Cost of sales and net operating expenses

	2006 £'000	2005 £'000
Cost of sales	<u>117,513</u>	<u>116,268</u>
Net operating expenses		
Administrative expenses before exceptional items	12,140	11,293
Exceptional items	<u>(5,024)</u>	<u>1,199</u>
Total administrative expenses	7,116	12,492
Selling and distribution costs	<u>59,751</u>	<u>59,639</u>
Total net operating expenses	<u>66,867</u>	<u>72,131</u>

Included within administration expenses in 2006 is exceptional income amounting to £5,024,000 (2005 an exceptional charge amounting to £1,199,000) relating to the write-back of (2005 provision against) an inter-company receivable balance

### 4 Operating profit

	2006 £'000	2005 £'000
<b>Operating profit is arrived at after charging:</b>		
Depreciation of tangible fixed assets	2,994	3,801
Loss on disposal of fixed assets	9	1
Amortisation of intangible fixed assets	3,136	3,136
Auditors' remuneration - audit services	36	27
Hire of plant and machinery - operating leases	2,235	1,902
Hire of other assets – operating leases	3,482	3,724
Research and development costs	<u>976</u>	<u>860</u>
Auditor's remuneration – non-audit services		
Taxation services	71	33
Actuarial services	<u>131</u>	<u>40</u>

In addition, fees in respect of the audit of the company's pension scheme amounted to £6,000 (2005 £5,000)

### 5 Other interest receivable and similar income

	2006 £'000	2005 £'000
Receivable from group undertakings	<u>2,613</u>	<u>1,676</u>

### 6 Interest payable and similar charges

	2006 £'000	2005 £'000
On bank loans, overdrafts and other borrowings	<u>480</u>	<u>648</u>

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 7 Other finance costs

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	3,344	2,770
Interest on pension scheme liabilities	(3,048)	(3,079)
	<u>296</u>	<u>(309)</u>

### 8 Tax on profit on ordinary activities

	2006	2005
	£'000	£'000
<u>UK Corporation tax</u>		
Current tax on income for the year	<u>4,218</u>	<u>6,720</u>
Total current tax	<u>4,218</u>	<u>6,720</u>
<u>Deferred tax (see note 14)</u>		
Total deferred tax	126	(1,153)
	<u>4,344</u>	<u>5,567</u>

#### Factors affecting the tax charge for the current year

	2006	2005
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>14,839</u>	<u>11,092</u>
Current tax at 30% (2005 30%)	4,452	3,328

#### Effects of

Expenses not deductible for tax (primarily goodwill amortisation and provisions against amounts receivable from group undertakings)	(566)	1,300
Accelerated capital allowances	(73)	-
Expenses deductible for tax only when cash payment made	<u>405</u>	<u>2,092</u>
Total current tax charge (see above)	<u>4,218</u>	<u>6,720</u>

The low effective tax rate in the year ended 31 December 2006 is due largely to the release of a provision against amounts receivable from group undertakings amounting to £5,024,000 which is not subject to taxation. It is expected that the high effective tax rate experienced in prior years will recur in the future largely as a result of non-deductible amortisation of goodwill.

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 9 Intangible fixed assets

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2006 and at 31 December 2006	<u>38</u>	<u>62,634</u>	<u>62,672</u>
<b>Amortisation</b>			
At 1 January 2006	23	31,323	31,346
Charge for the year	<u>4</u>	<u>3,132</u>	<u>3,136</u>
At 31 December 2006	<u>27</u>	<u>34,455</u>	<u>34,482</u>
<b>Net book value</b>			
At 31 December 2006	<u>11</u>	<u>28,179</u>	<u>28,190</u>
At 31 December 2005	<u>15</u>	<u>31,311</u>	<u>31,326</u>

### 10 Tangible fixed assets

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
<b>Cost</b>			
At 1 January 2006	1,725	52,537	54,262
Additions	192	4,061	4,253
Disposals	<u>(184)</u>	<u>(65)</u>	<u>(249)</u>
At 31 December 2006	<u>1,733</u>	<u>56,533</u>	<u>58,266</u>
<b>Depreciation</b>			
At 1 January 2006	693	40,123	40,816
Charge for the year	79	2,915	2,994
Disposals	<u>(42)</u>	<u>(65)</u>	<u>(107)</u>
At 31 December 2006	<u>730</u>	<u>42,973</u>	<u>43,703</u>
<b>Net book amount</b>			
At 31 December 2006	<u>1,003</u>	<u>13,560</u>	<u>14,563</u>
At 31 December 2005	<u>1,032</u>	<u>12,414</u>	<u>13,446</u>

The net book amount of tangible fixed assets includes £240,000 (2005 £264,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £4,000 (2005 £4,000).

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 11 Stocks

	2006	2005
	£'000	£'000
Raw materials and consumables	5,529	5,386
Work in progress	922	789
Finished goods	16,586	14,662
	<u>23,037</u>	<u>20,837</u>

### 12 Debtors

	2006	2005
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	20,434	19,940
Amounts owed by group undertakings	47,248	5,090
Deferred tax asset (see note 14)	17	357
Other debtors	124	301
Prepayments	3,465	2,488
	<u>71,288</u>	<u>28,176</u>

### 13 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Trade creditors	24,286	21,598
Amounts owed to group undertakings	21,675	2,159
Corporation tax payable	21,609	15,953
Other taxes and social security	1,248	858
Finance lease creditor	352	382
Other creditors	764	1,993
Accruals and deferred income	4,873	4,239
	<u>74,807</u>	<u>47,182</u>

### 14 Provisions for liabilities and charges

	Other provision	Deferred taxation	Total
	£'000	£'000	£'000
At 1 January 2006	-	(2,842)	(2,842)
Charged to profit and loss account	1,140	126	1,266
Utilised in the year	(70)	-	(70)
Charged to the statement of total recognised gains and losses	-	1,212	1,212
At 31 December 2006	<u>1,070</u>	<u>(1,504)</u>	<u>(434)</u>



## SIGMAKALON UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

#### 14 Provisions for liabilities and charges (continued)

##### Other provision

During the year the company entered into a contractual arrangement to sponsor a sporting trophy such that the company is obligated to pay the full amount due under the contract unless certain events occur. The directors consider that the likelihood of these events occurring is remote and have therefore provided for the contractual obligation. The provision will be utilised over the next 3 years. The directors have not used discounting as this would not give rise to a materially different result.

##### Deferred taxation

The deferred tax asset at 31 December can be analysed as follows

	2006 £'000	2005 £'000
Difference between accumulated depreciation and amortisation and capital allowances	17	357
Short term timing differences	-	-
Deferred tax asset (see note 12)	17	357
Deferred tax asset on pension liability (see note 15)	1,487	2,485
	<u>1,504</u>	<u>2,842</u>

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 UK (the SigmaKalon UK Pension Fund).

A formal valuation was carried out as at 5 April 2006. Additional valuations using full data were performed as at 31 December 2006 for the purposes of FRS 17 by a qualified independent actuary.

**SIGMAKALON UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006****15 Pension commitments (continued)**

Around 96% of the liabilities of the SigmaKalon UK Pension Fund relate to members employed by SigmaKalon UK Limited. These disclosures have been prepared based on the assets and liabilities of the fund as a whole.

The major assumptions used by the actuary were:

	2006	2005	2004
Discount rate	5.1%	4.75%	5.40%
Rate of increase in salaries	4.0%	3.60%	3.90%
Rate of increase in future pensions in payment – where relating to increases in the Retail Prices Index (RPI) with a maximum of 5% pa	2.8%	2.40%	2.70%
Rate of increase in deferred pensions	3.0%	2.60%	2.90%
Inflation assumption	3.0%	2.60%	2.90%

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

	Long term rate of return expected 31 December 2006 %	Value at £'000	Long term rate of return expected 31 December 2005 %	Value at £'000	Long term rate of return expected 31 December 2004 %	Value at £'000
Equities	7.40	41,827	7.10	36,024	7.50	27,287
Bonds	4.65	16,619	4.40	14,916	4.90	11,905
Cash	5.00	232	4.50	306	4.80	84
Total market value of assets		58,678		51,246		39,276
Present value of scheme liabilities		(63,636)		(59,528)		(52,118)
Deficit in the scheme		(4,958)		(8,282)		(12,842)
Related deferred tax asset		1,487		2,485		3,853
Net pension liability		(3,471)		(5,797)		(8,989)

**Analysis of amount charged to operating profit**

	2006 £'000	2005 £'000
Current service cost	4,051	3,925
Past service cost	-	-
Total operating charge	4,051	3,925

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 15 Pension commitments (continued)

#### Movements in the deficit during the year

	2006 £'000	2005 £'000
Deficit in the scheme at the beginning of the year	(8,282)	(12,842)
Current service cost	(4,051)	(3,925)
Past service cost	-	-
Contributions	3,038	3,341
Other finance cost	296	(309)
Actuarial gain	4,041	5,453
Deficit in the scheme at the end of the year	<u>(4,958)</u>	<u>(8,282)</u>

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

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	727	5,304
Experience gains and losses arising on the scheme liabilities	2,414	(3,380)
Changes in assumptions underlying the present value of the scheme liabilities	900	3,529
Actuarial gain recognised in the STRGL	<u>4,041</u>	<u>5,453</u>

#### Analysis of profit and loss reserve

	2006 £'000	2005 £'000
Profit and loss account excluding pension liability	62,001	51,003
Pension liability	<u>(3,471)</u>	<u>(5,797)</u>
Profit and loss account including pension liability	<u>58,530</u>	<u>45,206</u>

#### History of experience gains and losses

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount (£'000)	727	5,304	711	2,589	(23 4)
Percentage of scheme assets	1.2%	10.4%	1.8%	8.0%	(39.3)%
Experience gains and losses on scheme liabilities					
Amount (£'000)	2,414	(3,380)	2,076	1,624	(3 4)
Percentage of the present value of the scheme liabilities	3.8%	(5.7)%	4.0%	3.4%	(3.3)%

# SIGMAKALON UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

### 15 Pension commitments (continued)

	2006	2005	2004	2003	2002
Total amount recognised in the statement of total recognised gains and losses					
Amount (£'000)	4,041	5,453	3,520	(211)	(12 2)
Percentage of the present value of the scheme liabilities	6.4%	9 2%	6 8%	(0 4)%	(11 8)%

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

	2006 £'000	2005 £'000
Brought forward 1 January	2,485	3,853
Debited through statement of total recognised gains and losses	(1,212)	(1,636)
Credited through the profit and loss account	214	268
Deferred tax at 31 December	<u>1,487</u>	<u>2,485</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 2006 were £462,885 (2005 £281,173)

### 16 Called up share capital

	2006 £'000	2005 £'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>

### 17 Profit and loss account

	£'000
At 1 January 2006	45,206
Profit for the financial year	10,495
Actuarial gain in defined benefit pension plan	4,041
Deferred tax re actuarial gain	(1,212)
Closing balance at 31 December	<u>58,530</u>

## SIGMAKALON UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006

#### 18 Commitments

	2006 £000	2005 £000
a) Future capital expenditure Contracted for, but not provided in the accounts	<u>687</u>	<u>360</u>
b) Leasing commitments The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows		
	2006 £'000	2005 £'000
Land and building leases expiring		
within 1 year	1,244	464
between 1 and 2 years	323	423
between 2 and 5 years	848	721
beyond 5 years	<u>1,639</u>	<u>1,852</u>
	<u>4,054</u>	<u>3,460</u>
Plant and motor vehicles leases expiring		
	2006 £'000	2005 £'000
within 1 year	498	428
between 1 and 2 years	738	498
between 2 and 5 years	<u>613</u>	<u>818</u>
	<u>1,849</u>	<u>1,744</u>

#### 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 the refinancing exercise carried out by the group in 2005 senior debt finance increased to €816m and the mezzanine facility increased to €146m.

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

## **SIGMAKALON UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2006**

#### **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

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMAKALON UK LIMITED

We have audited the financial statements of SigmaKalon UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

#### Basis of audit opinion

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

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

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds

27 October 2007