

KALON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1995



COMPANY NO: 436135

KALON LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the company for the period to 31 December 1995.

PRINCIPAL ACTIVITIES

The company did not trade during the year.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

P R Jackson

E Smith (Resigned 9 June 1995)

M J W Hennessy (Appointed 1 December 1995)

S J Webb (Appointed 13 December 1995)

The directors, with the exception of S J Webb, are also directors of the holding company and their beneficial interest in the shares of the holding company are shown in those accounts.

According to the Register of Directors' interest maintained under the Companies Act, S J Webb has the following options to subscribe for 15p ordinary shares in the intermediate parent company:

	23.8.94	Granted	31.12.95	Exercise Price (Pence)	First Date Exercisable	Last Date Exercisable
S.Webb	-	100,000	100,000	151	23.8.98	22.8.2005

DIVIDENDS

The directors recommend the payment of a dividend of £2,555,000.

POST BALANCE SHEET EVENT

On 1 January 1996 the business and trading assets of the parent company, Kalon Group PLC, were transferred to the company. On 2 January 1996 the business and trading assets at Johnstone's Paints PLC, a fellow subsidiary, were transferred to the company. Consequently, the company has recommenced trading.

AUDITORS

Robson Rhodes have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read 'S Webb', is written over the printed name.

S WEBB
Secretary

12 March 1996

KALON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Profit for the financial year	-	-
Dividend	<u>(2,555)</u>	<u>-</u>
Retained loss for the year	<u>(2,555)</u>	<u>-</u>

There were no recognised gains or losses other than those reported above.

Reconciliation of Movement in Shareholders' Funds

	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Dividends	(2,555)	-
Opening shareholders funds	<u>4,584</u>	<u>4,584</u>
Closing shareholders funds	<u>2,029</u>	<u>4,584</u>

KALON LIMITED

BALANCE SHEET - 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
DEBTORS - owing by parent undertaking		2,029	4,584
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CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	2	350	350
RESERVES			
Profit and loss account	3	1,679	2,201
Revaluation reserve	3	-	2,033
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SHAREHOLDERS' FUNDS		2,029	4,584
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Approved by the Board of Directors



STEVEN WEBB

12 March 1996

KALON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

2. CALLED UP SHARE CAPITAL	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Authorised 65,000,000 (1994: 500,000) ordinary shares of £1 each	65,000	500
Allotted and fully paid 350,000 ordinary shares of £1 each	350	350
3.. RESERVES	Revaluation Reserve £'000	Profit and loss account £'000
At 1 January 1995	2,033	2,201
Reclassification	(2,033)	2,033
Loss for the year	-	(2,555)
At 31 December 1995	-	1,679

4. PARENT COMPANY

The company is a wholly owned subsidiary of Kalon Group PLC, a company incorporated in England and Wales.

The Group financial statements can be obtained from Ploughland House, 62 George Street, Wakefield WF1 1DL

The ultimate parent undertaking is TOTAL. Their accounts can be obtained from Tour TOTAL, 24 Cours Michelet, 92800 Puteaux, Paris.

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 for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently; made judgements and estimates that are reasonable and prudent; followed applicable accounting standards; and prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF KALON LIMITED

We have audited the financial statements on pages 3 to 5, which have been prepared on the basis of the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 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.

KALON LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF KALON LIMITED
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OPINION

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

A handwritten signature in black ink, appearing to read 'Robson Rhodes', is written in a cursive style.

Robson Rhodes

Chartered Accountants and Registered Auditor

Leeds

12 March 1996