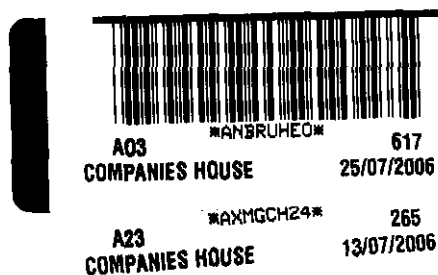


Mallatite Powder Coatings Limited

Registered number 3189192

Directors' report and financial statements
For the year ended 31 December 2005



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Directors' report

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

Principal activity & Business review

The company is now dormant.

Results and dividends

The directors do not recommend a dividend for the year ended 31 December 2005 (2004: £191,000).

Directors and directors' interests

The directors serving during the period were as follows:

D L Grove
D W Muir
C J Burr

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of the company.

Mr D L Grove and Mr C J Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC, and their interests in the shares and share options of that company, are shown in its financial statements.

The interests of the other directors in office at the end of the year in the shares and share options of Hill & Smith Holdings PLC, are detailed as follows:

Shares

	2005	2004
DW Muir	<u>8,855</u>	<u>8,855</u>

Directors' report (continued)

Directors and directors' interests (continued)

Share options over ordinary shares of 25p each

	At beginning of year	Exercised	Granted	At end of year	Exercise price p	Date exercisable	Expiry date	Note no
DW Muir								
	19,360	(19,360)	-	-	112.5	23.01.98	23.01.05	1
	110,000	(110,000)	-	-	66.0	21.01.05	21.01.12	4
	12,360	-	-	12,360	100.0	01.01.10	01.07.10	2
	-	-	14,646	14,646	204.83	04.10.08	04.10.15	5
	-	-	63,468	63,468	204.83	04.10.08	04.10.15	6
	<u>141,720</u>	<u>(129,360)</u>	<u>78,114</u>	<u>90,474</u>				

Note 1: These options were granted under the 1985 Executive Share Option Scheme

Note 2: These options were granted under the 1995 Savings Related Share Option Scheme

Note 3: These options were granted under the 1995 Executive Share Option Scheme

Note 4: These options were granted under the 1999 Unapproved Executive Share Option Scheme

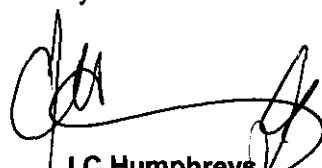
Note 5: These options were granted under the 2005 Executive Share Option Scheme

Note 6: These options were granted under the 2005 Unapproved Executive Share Option Scheme

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc is to be proposed at the forthcoming annual general meeting.

By order of the Board


J C Humphreys
Secretary

2 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

8 March 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Independent auditor's report to the members of Mallatite Powder Coating Limited

We have audited the financial statements of Mallatite Powder Coating Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in shareholder's funds and the related notes. These financial statements have been prepared under 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 Statement of Directors' Responsibilities on page 3, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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).

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 UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

✓ PNC Audit + PC

KPMG Audit Plc
Chartered Accountants
Registered Auditor

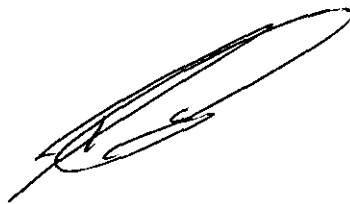
8 March 2006

Balance sheet
at 31 December 2005

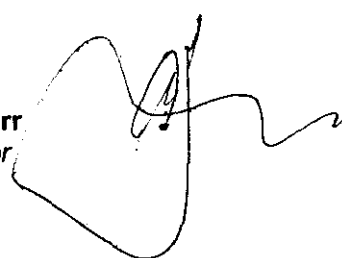
	<i>Note</i>	2005 £000	2004 (as restated) £000
Debtors: amounts owed by parent undertakings		-	191
Net assets		-	191
Capital and reserves			
Called up share capital	2	-	-
Profit and loss account		-	191
Equity shareholder's funds	3	-	191

These financial statements were approved by the board of directors on 8 March 2006 and were signed on its behalf by:

D L Grove
 Director



C J Burr
 Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable Accounting Standards.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2 Called up share capital

	2005 £'000	2004 £'000
Authorised		
Equity shares		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity shares		
2 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

3 Reconciliation of movement in shareholder's funds

	2005 £000	2004 (as restated) £000
Profit for the financial year	-	-
Dividends	(191)	-
	<hr/>	<hr/>
	(191)	-
Opening shareholder's funds	191	191
	<hr/>	<hr/>
Closing shareholder's funds	-	191
	<hr/>	<hr/>

The restatement reflects FRS21 changes to dividend recognition, which has a £Nil effect on the profit and loss brought forward as at 1 January 2004.

4 Ultimate parent company

The company is a wholly-owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the group financial statements may be obtained from Group headquarters:

2 Highlands Court
 Cranmore Avenue
 Shirley
 Solihull
 West Midlands
 B90 4LE