

Company Registration No. 02647054

Sun Chemical Limited

Report and Financial Statements

31 December 2005



4

Sun Chemical Limited
Report and financial statements 2005
Contents

Page

<i>Officers and professional advisers</i>	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Notes to the accounts	10

Sun Chemical Limited
Report and financial statements 2005
Officers and professional advisers

Directors

M Cox
C Murray
C Heynes (appointed 17 May 2006)
R Martin (appointed 1 April 2006)

Secretary

M J Pearce (appointed 1 May 2005)

Registered Office

3 High View Road
South Normanton
Derbyshire
DE55 2DT

Bankers

National Westminster Bank Plc
PO Box 12258
1 Princes Street
London
EC2R 8PA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Sun Chemical Limited

Directors' report

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

Results and dividends

The group's profit for the year, after taxation, amounted to £918,000 (2004 restated - £1,783,000). A dividend on the 8.5% cumulative preference shares, amounting to 8.5p (2004 - 8.5p) per share, £9,000 (2004 - £9,000) was provided for during the year and has been shown within net finance charges.

Principal activity and review of the business

The principal activity of the company and of the group during the year was the manufacture and distribution of printing inks. The group continued in its programme of restructuring. The directors are satisfied with the results for the year in the light of current trading conditions. They are confident that the restructuring projects that have been carried out in 2005 will lead to an improved result in 2006 and beyond.

Future developments

The directors will continue to restructure the operations of the group to reduce costs and achieve acceptable levels of profitability.

Directors and their interests

The directors throughout the year and at 31 December 2005 unless otherwise stated were as follows:

M Cox
C Murray
G Frost (resigned 31 March 2006)
S Dickinson (resigned 30 October 2005)
C Heynes (appointed 17 May 2006)
R Martin (appointed 1 April 2006)

G Smith resigned as company secretary on 1 May 2005 and M J Pearce was appointed to replace him on the same date.

None of the directors had any beneficial interests in the shares of the company.

Financial instruments

The directors consider that the financial risks relevant to the company are credit risk, liquidity risk and foreign exchange risk. The company's principal assets subject to credit risk are cash, trade debtors and intercompany debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made when there is a triggering event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk or liquidity risk with exposure spread over a large number of counterparties and customers or with other group companies who are able to repay these balances if required.

The company's sales to the related parties in Europe are made in Euro and it is therefore exposed to the movement in foreign currencies to Sterling and Euro exchange rate. The company has the investments in foreign currencies and it is also exposed to the movement in foreign currencies to Sterling and the local currency exchange rates.

The company does not use derivative financial instruments.

Sun Chemical Limited

Directors' report (continued)

Creditor payment policy and practice

It is the group's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2005, the group had an average of 52 days (2004 - 55 days) purchases outstanding in trade creditors.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career developments and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, and regular bulletins on the group's performance. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Charitable donations

During the year the group made charitable donations of £14,000 (2004 - £46,270), principally to local charities serving the communities in which the group operates.

Subsequent events

The company received a capital contribution of £12,900,000 from Sun Chemical N.V., the immediate parent company, on 15 September 2005 to finance the acquisition of 100% of the ordinary share capital of ECG Holdings (UK) Limited.

The company made an additional one off employer contribution to the Sun Chemical Limited Retirement Benefit Scheme totalling £8,140,000 in April 2006.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and the resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C Murray
Director

31st October 2006

Sun Chemical Limited

Statement of directors' responsibilities

United Kingdom 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 group as at the end of the financial year and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 of the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and for safeguarding the assets of the company and of the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Sun Chemical Limited

We have audited the group and individual company financial statements (the "financial statements") of Sun Chemical Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets and the related notes 1 to 27. 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 auditors' 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, 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 United Kingdom 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, in accordance with the relevant financial reporting framework, 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 for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

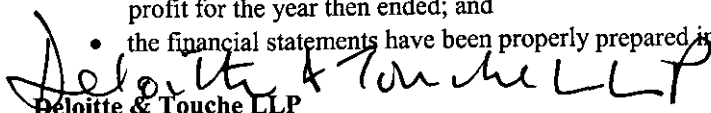
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, 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
- the financial statements have been properly prepared in accordance with the Companies Act 1985


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

31st October 2006

Sun Chemical Limited
Consolidated profit and loss account
Year ended 31 December 2005

		2005 £'000	2004 £'000 as restated (see Note 24)
	Notes		
Turnover	1, 3	318,785	316,395
Cost of sales		(241,067)	(234,356)
Gross profit		77,718	82,039
Sales and distribution costs		(27,259)	(31,508)
Administrative expenses		(47,801)	(46,398)
Other operating income		3,133	4,696
Operating profit		5,791	8,829
Profit on disposal of subsidiary undertakings		258	-
(Loss)/profit on disposal of tangible fixed assets		(856)	18
Profit on disposal of current asset investments		3,213	-
Provision against current asset investments		(635)	-
Share of associates' operating loss	11	(12)	(7)
Profit on ordinary activities before finance charges		7,759	8,840
Finance charges (net)	4	(7,285)	(7,057)
Profit on ordinary activities before taxation	5	474	1,783
Tax credit on profit on ordinary activities	7	444	-
Profit for the financial year		918	1,783
Retained profit for the financial year transferred to reserves	20	918	1,783

All amounts are derived from continuing operations.

Sun Chemical Limited
Consolidated statement of recognised gains and losses
Year ended 31 December 2005

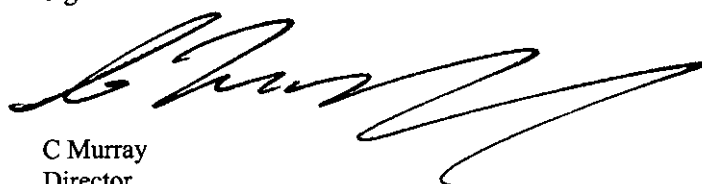
		2005 £'000	2004 £'000 as restated (see Note 24)
	Note		
Profit for the financial year:			
Group		930	1,790
Associates		(12)	(7)
		<hr/>	<hr/>
		918	1,783
Currency translation differences		-	(22)
Actuarial loss relating to the pension scheme	20, 23	(7,199)	(16,252)
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		(6,281)	(14,491)
			<hr/>
Prior period adjustment	24	(97,497)	
		<hr/>	
Total recognised gains and losses since the last financial statements		(103,778)	
		<hr/>	

Sun Chemical Limited
Consolidated balance sheet
31 December 2005

		2005 £'000	2004 £'000 as restated (see Note 24)
	Notes		
Fixed assets			
Goodwill	9	4,761	6,490
Tangible assets	10	71,998	74,167
Investment in associates	11	162	174
		<u>76,921</u>	<u>80,831</u>
Current assets			
Stocks	12	36,671	38,774
Debtors: amounts falling due within one year			
due within one year	13	87,387	79,945
due after more than one year	13	432	-
Investments	14	236	2,337
Cash at bank and in hand		5,408	3,443
		<u>130,134</u>	<u>124,499</u>
Creditors: amounts falling due within one year	15	<u>(113,067)</u>	<u>(146,657)</u>
Net current assets (liabilities)		<u>17,067</u>	<u>(22,158)</u>
Total assets less current liabilities		93,988	58,673
Creditors: amounts falling due after more than one year	16	(51,458)	(1,506)
Provisions for liabilities	17	<u>(724)</u>	<u>(841)</u>
Net assets excluding pension liability		41,806	56,326
Pension liability	23	<u>(61,292)</u>	<u>(69,531)</u>
Net liabilities including pension liability		<u>(19,486)</u>	<u>(13,205)</u>
Capital and reserves			
Called up share capital	19, 20	11,500	11,500
Share premium account	20	142,900	142,900
Capital contribution	20	65,647	65,647
Profit and loss account – deficit	20	<u>(239,533)</u>	<u>(233,252)</u>
Shareholders' funds	20	<u>(19,486)</u>	<u>(13,205)</u>
Shareholders' funds may be analysed as:			
Equity interests		(19,432)	(13,160)
Non-equity interests	8	<u>(54)</u>	<u>(45)</u>
		<u>(19,486)</u>	<u>(13,205)</u>

These financial statements were approved by the Board of Directors on 31st October 2006.

Signed on behalf of the Board of Directors




C Murray
Director
31st October 2006

Sun Chemical Limited
Company balance sheet
31 December 2005

		2005 £'000	2004 £'000 as restated (see Note 24)
	Notes		
Fixed assets			
Goodwill	9	50,452	53,445
Tangible assets	10	71,904	74,048
Investments	11	-	2,335
		<hr/>	<hr/>
		122,356	129,828
Current assets			
Stocks	12	36,671	38,420
Debtors	13	83,741	82,002
Cash at bank and in hand		5,400	3,414
		<hr/>	<hr/>
		125,812	123,836
Creditors: amounts falling due within one year	15	(112,604)	(147,795)
		<hr/>	<hr/>
Net current assets (liabilities)		13,208	(23,959)
		<hr/>	<hr/>
Total assets less current liabilities		135,564	105,869
Creditors: amounts falling due after more than one year	16	(50,100)	(100)
Provisions for liabilities	17	(724)	(841)
		<hr/>	<hr/>
Net assets excluding pension liability		84,740	104,928
Pension liability	23	(61,292)	(69,531)
		<hr/>	<hr/>
Net assets including pension liability		23,448	35,397
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	19, 20	11,500	11,500
Share premium account	20	142,900	142,900
Capital contribution	20	65,647	65,647
Profit and loss account – deficit	20	(196,599)	(184,650)
		<hr/>	<hr/>
Shareholders' funds	20	23,448	35,397
		<hr/>	<hr/>
Shareholders' funds may be analysed as:			
Equity interests		23,502	35,452
Non-equity interests	8	(54)	(45)
		<hr/>	<hr/>
		23,448	35,397
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 31st October 2006.

Signed on behalf of the Board of Directors


C Murray
Director
31st October 2006

Sun Chemical Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year except for the full adoption of FRS17, Retirement Benefits and the adoption of FRS25, Financial Instruments: Disclosure and Presentation. The impact of these standards is set out in Note 24.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of Sun Chemical Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

A number of subsidiaries are not consolidated because they are held exclusively with a view to subsequent resale. These subsidiaries are recorded as current asset investments held for disposal.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 10-20 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in course of construction, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold buildings	- 40 years
Leasehold land and buildings	- The shorter of lease term or useful economic life
Plant and equipment	- 3-11 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed assets investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and expected re-sale values.

Associates

In the group financial statements, investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' profits less losses while the group's share of net assets of the associates is shown in the consolidated balance sheet. The cost of investments in associates are recorded as current asset investments held for disposal because they are held exclusively with a view to subsequent resale.

Sun Chemical Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful economic lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date.

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the re-translation of the opening net assets in subsidiaries are reported in the statement of total recognised gains and losses. All other exchange differences are dealt with through the profit and loss account.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are based on:

- | | |
|-------------------------------------|--|
| Raw materials | - purchase cost (on a first-in, first-out basis) including transport; |
| Work in progress and finished goods | - cost of direct materials and labour plus a proportion of manufacturing overheads based on normal levels of activity. |

Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Sun Chemical Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Finance costs

Finance costs of debts are recognised in the profit and loss account over the term of such instrument at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the assets are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Pension costs

The Company adopted FRS 17 'Retirement Benefits' in full in 2005. The effects of this change have been set out in Note 24.

Regular valuations are prepared by an independent professionally qualified actuary. These determine the level of contributions required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on all timing differences that result in an obligation at balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

1. Accounting policies (continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Cash flow statement

The group has taken advantage of the exemption granted under Financial Reporting Standards (FRS) 1 (Revised) 'Cash Flow Statements' not to publish a cash flow statement on the grounds that it is wholly owned and Dainippon Ink and Chemical Inc, its ultimate parent company, produces consolidated financial statements, which contain a cash flow statement and are publicly available.

2. Parent company profit and loss account

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account. The company's loss for the financial year, after taxation, was £4,750,000 (2004 – restated profit £708,000).

3. Analysis of turnover and profits between activities and markets

All turnover and profits are derived from a single class of business. An analysis of turnover and profits between markets has not been given because, in the opinion of the directors, this disclosure would be seriously prejudicial to the group.

4. Finance charges (net)

	2005 £'000	2004 £'000 as restated (see Note 24)
On bank loans and overdrafts	331	102
Finance charges in respect of finance leases	8	29
Interest payable to other group undertakings	7,099	7,179
Net pension related charge	237	-
8.5% preference shares	9	9
Other interest payable and similar charges	45	-
	<hr/> 7,729	<hr/> 7,319
Interest receivable and similar income		
- receivable from third parties	(444)	(191)
- other interest receivable	-	(30)
Net pension related income	-	(41)
	<hr/> 7,285	<hr/> 7,057

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

5. Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2005	2004
	£'000	£'000
Auditors' remuneration:		
- for audit:		
Group	8	8
Company	177	125
- for other services:		
Company	53	120
Depreciation		
- owned assets	9,637	10,342
- leased assets	-	221
Amortisation of goodwill	1,729	1,729
Operating lease rentals		
- plant and machinery	4,378	4,126
- land and buildings	2,501	2,502
Research and development expenditure	8,341	8,737
Rent received from leases	-	(187)
Recharge of European management costs	(8,233)	(7,489)
Reorganisation costs	3,997	4,105

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

6. Directors and employees

The average monthly number of employees (including executive directors and employees in subsidiary undertakings) during the year was:

	2005	2004
	No.	No.
Production	934	961
Sales and distribution	265	289
Administration	185	197
Technical service	284	283
	<u>1,668</u>	<u>1,730</u>

The aggregated remuneration comprised:

	2005	2004
	£'000	£'000
		as restated
		(see Note 24)
Wages and salaries	54,432	54,610
Social security costs	5,676	5,756
Pension costs (note 23)	4,790	5,058
	<u>64,898</u>	<u>65,424</u>

The staff costs include remuneration in respect of directors, as follows:

	2005	2004
	£'000	£'000
Emoluments	673	774
Compensation for loss of office	25	-
	<u>698</u>	<u>774</u>

Remuneration in respect of the highest paid director is as follows:

	2005	2004
	£'000	£'000
Emoluments	<u>379</u>	<u>320</u>

The highest paid directors' accrued pension at the year end was £33,927 (2004 - £29,750).

During the year, 3 directors (2004 - 4) participated in defined benefit pension schemes.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

7. Tax credit on profit on ordinary activities

i) Analysis of tax credit on ordinary activities

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30% (2004 – 30%)		
Based on the profit for the year	-	-
Adjustment in respect of prior years	(444)	-
	<hr/>	<hr/>
Foreign tax	-	-
	<hr/>	<hr/>
Deferred tax:	-	-
Organisation and reversal of timing differences (note 18)	-	-
	<hr/>	<hr/>
	(444)	-
	<hr/>	<hr/>

ii) Factors affecting tax credit for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom of 30% (2004 – 30%). The differences are reconciled below:

	2005 £'000	2004 £'000 as previously stated
Profit on ordinary activities before tax	472	(8,712)
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2004 – 30%)	146	(2,613)
Expenses not deductible for tax purposes	3,568	4,401
Accelerated capital allowances	(876)	(1,207)
Losses carried forward	(602)	(974)
Other short term timing differences	(2,236)	393
Pror year provision	(444)	-
	<hr/>	<hr/>
Current tax credit for the year	(444)	-
	<hr/>	<hr/>

8. Dividends

	2005 £'000	2004 £'000
Non-equity shares:		
Appropriations of profit in respect of 8.5% cumulative preference shares (2004 – 8.5%)	9	9
	<hr/>	<hr/>

Dividends on the company's cumulative preference shares were £54,000 in arrears at 31 December 2005 (2004 - £44,500). This has been recorded within creditors falling due after more than one year.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 January 2005	17,294	65,594
At 31 December 2005	17,294	65,594
Amortisation		
At 1 January 2005	10,804	12,149
Provided in the year	1,729	2,993
At 31 December 2005	12,533	15,142
Net book value		
At 31 December 2005	4,761	50,452
At 31 December 2004	6,490	53,445

10. Tangible fixed assets

Group	Freehold property £'000	Long leasehold property £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 1 January 2005	47,370	212	130,890	1,771	180,243
Additions	1,871	7	6,188	855	8,921
Disposals	(1,081)	-	(4,322)	-	(5,403)
Transfers	782	-	1,426	(2,208)	-
At 31 December 2005	48,942	219	134,182	418	183,761
Depreciation					
At 1 January 2005	11,494	47	94,535	-	106,076
Charge for the year	1,083	7	8,547	-	9,637
Disposals	(212)	-	(3,738)	-	(3,950)
Transfers	-	-	-	-	-
At 31 December 2005	12,365	54	99,344	-	111,763
Net book value					
At 31 December 2005	36,577	165	34,838	418	71,998
At 31 December 2004	35,876	165	36,355	1,771	74,167
Leased assets included above:					
Net book value					
At 31 December 2005	-	-	-	-	-
At 31 December 2004	-	-	261	-	261

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

10. Tangible fixed assets (continued)

Company	Freehold property £'000	Long leasehold property £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 1 January 2005	41,091	212	86,030	1,771	129,104
Additions	1,871	7	6,162	855	8,895
Disposals	(1,081)	-	(4,283)	-	(5,364)
Transfers	782	-	1,426	(2,208)	-
At 31 December 2005	42,663	219	89,335	418	132,635
Depreciation					
At 1 January 2005	5,122	47	49,887	-	55,056
Charge for the year	1,083	7	8,534	-	9,624
Disposals	(212)	-	(3,737)	-	(3,949)
Transfers	-	-	-	-	-
At 31 December 2005	5,993	54	54,684	-	60,731
Net book value					
At 31 December 2005	36,670	165	34,651	418	71,904
At 31 December 2004	35,969	165	36,143	1,771	74,048
Leased assets included above:					
Net book value					
At 31 December 2005	-	-	-	-	-
At 31 December 2004	-	-	261	-	261

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

11. Fixed asset investment

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	-	2,335
Associated undertakings	162	174	-	-
	<u>162</u>	<u>174</u>	<u>-</u>	<u>2,335</u>

Investments in subsidiary undertakings:

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2005	2,335	191	2,526
Disposals	(852)	-	(852)
At 31 December 2005	<u>1,483</u>	<u>191</u>	<u>1,674</u>
Provision for impairment			
At 1 January 2005	-	(191)	(191)
Amounts written off	(1,483)	-	(1,483)
At 31 December 2005	<u>(1,483)</u>	<u>(191)</u>	<u>(1,674)</u>
Net book value			
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2004	<u>2,335</u>	<u>-</u>	<u>2,335</u>

At 31 December 2005, the group and company have investments in the following material subsidiary undertakings, which principally affected the results or net assets of the group. The financial positions and results of these material subsidiary undertaking have been consolidated in the group financial statements. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Shares held by the company	Country of registration	Proportion of ordinary share held	Nature of business
Mechnus Limited (Formerly Sun Chemicals Inks Limited)	Republic of Ireland	100%	Ink manufacture
Shares held within the Group*			
Coates Brothers	England and Wales	100%	Ink manufacture
George Hall (1992) Limited	England and Wales	100%	Holding company - dormant

* The above companies re-registered as unlimited companies during 2002.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

11. Fixed asset investment (continued)

At 31 December 2005, the group had material interests in the following associated undertakings:

	Country of registration and operation	Proportion of ordinary shares held by the company	Nature of business	Share of net assets £'000
Gibbon Finecal Limited	England and Wales	49.9%	Printing ink distributor	
Group				
At 1 January 2005				174
Share of loss for the year				(12)
				<hr/>
At 31 December 2005				162
				<hr/>

12. Stocks

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Raw materials	10,110	10,017	10,110	10,017
Work in progress	813	1,500	813	1,500
Finished goods and goods for resale	25,748	27,257	25,748	26,903
	<hr/>	<hr/>	<hr/>	<hr/>
	36,671	38,774	36,671	38,420
	<hr/>	<hr/>	<hr/>	<hr/>

There are no material differences between the balance sheet value of stocks and their replacement cost.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

13. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
	as restated			
	(see Note 24)			
Amounts falling due within one year:				
Trade debtors	56,753	57,822	56,040	56,943
Amounts owed by group undertakings	20,882	12,605	17,947	15,573
Other debtors	6,042	7,265	6,044	7,265
Prepayments and accrued income	3,710	2,253	3,710	2,221
	<u>87,387</u>	<u>79,945</u>	<u>83,741</u>	<u>82,002</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	432	-	-	-
	<u>432</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>87,819</u>	<u>79,945</u>	<u>83,741</u>	<u>82,002</u>

14. Current asset investments

	Subsidiary undertakings		Associate undertakings	Total
	Shares	Loans		
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2005	1,886	449	2	2,337
Disposals	(1,017)	-	-	(1,017)
Reclassified to debtors		(432)		(432)
Foreign exchange adjustment	-	(17)	-	(17)
At 31 December 2005	<u>869</u>	<u>-</u>	<u>2</u>	<u>871</u>
Provision for impairment				
At 1 January 2005	-	-	-	-
Amounts written off	(633)	-	(2)	(635)
At 31 December 2005	<u>(633)</u>	<u>-</u>	<u>(2)</u>	<u>(635)</u>
Net book value				
At 31 December 2005	<u>236</u>	<u>-</u>	<u>-</u>	<u>236</u>
At 31 December 2004	<u>1,886</u>	<u>449</u>	<u>2</u>	<u>2,337</u>

Current asset investments are held for re-sale. Details of the principal current assets investments were as follows:

14. Current asset investments (continued)

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

	Country of registration principal option	Class of capital	Percentage held
Coates Brothers (East Africa) Ltd	Kenya	Ordinary	100
Coates Brothers (West Africa) Ltd	Nigeria	Ordinary	60
Coates Brothers (Zambia) Ltd	Zambia	Ordinary	100
Coates Brothers (Zimbabwe) (Private) Ltd	Zimbabwe	Ordinary	100

15. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
	as restated (see Note 24)		as restated (see Note 24)	
Trade creditors	25,089	26,596	25,089	26,446
Amounts owed to group undertakings	73,586	104,741	73,173	106,147
Obligations under finance leases and hire purchases	16	346	16	346
Social security costs and other taxes	2,820	2,814	2,820	2,814
Other creditors	1,487	1,600	1,437	1,578
Accruals and deferred income	10,069	10,560	10,069	10,464
	<u>113,067</u>	<u>146,657</u>	<u>112,604</u>	<u>147,795</u>

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
	as restated (see Note 24)		as restated (see Note 24)	
Amounts owed to group undertakings	51,358	1,406	50,000	-
8.5% cumulative preference shares	100	100	100	100
	<u>51,458</u>	<u>1,506</u>	<u>50,100</u>	<u>100</u>

The entitlement and rights attached to 8.5% cumulative preference shares are stated in Note 19.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

17. Provision for liabilities

Group and company	Reorganisation provision £'000	Provision for pensions £'000	Total £'000
At 1 January 2005	474	367	841
Utilised in the year	(44)	(73)	(117)
31 December 2005	<u>430</u>	<u>294</u>	<u>724</u>

The provision for reorganisation costs consists mostly of provisions for vacant leased properties which were vacated following reorganisation of the group's operations.

Provision has been made for unfunded pension commitments of some former employees. The provision for pension includes £20,076 (2004 - £43,362) in respect of former directors of a group company.

18. Deferred taxation

Deferred taxation provided and not provided in the financial statements is set out below. The amounts unprovided represent contingent liabilities/(assets) at the balance sheet date and are calculated using a tax rate of 30% for both the group and the company.

	Amount provided		Amount unprovided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Group				
Accelerated capital allowance	-	-	2,706	1,863
Other timing differences	-	-	(3,230)	(12,001)
Corporation tax losses	-	-	(12,531)	(14,089)
At 31 December 2005	<u>-</u>	<u>-</u>	<u>(13,055)</u>	<u>(24,227)</u>

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

18. Deferred taxation (continued)

Company	Amount provided		Amount unprovided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Accelerated capital allowance	-	-	2,706	1,863
Other timing differences	-	-	(3,230)	(2,253)
Corporation tax losses	-	-	(1,324)	(12,329)
At 31 December 2005	-	-	(1,848)	(12,719)

19. Called up share capital

	2005 £'000	2004 £'000 (restated)
Equity share capital:		
Authorised		
19,900,000 ordinary shares of £1 each	19,900	19,900
	<u>19,900</u>	<u>19,900</u>
Allotted, called up and fully paid		
11,500,005 ordinary shares of £1 each	11,500	11,500
	<u>11,500</u>	<u>11,500</u>
Non-equity shares:		
Authorised		
100,000 8.5% cumulative preference shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100,000 8.5% cumulative preference shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Non-equity shareholders funds relate entirely to the 8.5% preference shares. These shares carry a cumulative entitlement to dividend at a rate of 8.5p per shares per annum payable in priority to dividends on any other class of share.

Holders of the preference shares have the right to vote on resolutions for the winding-up of the company or on a resolution affecting the rights attached to the shares. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1,000 per share together with any arrears of dividend.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000 as restated (see Note 24)	Share premium account £'000	Capital contribution £'000	Other reserves £'000 as restated (see Note 24)	Profit and loss account £'000 as restated (see Note 24)	Total £'000
At 31 December 2004 as previously stated	11,600	142,900	65,647	45	(135,755)	84,437
Prior year adjustment	(100)	-	-	(45)	(97,497)	(97,642)
At 31 December 2004 as restated	11,500	142,900	65,647	-	(233,252)	(13,205)
Profit for the year	-	-	-	-	918	918
Actuarial loss on pensions liability net of taxation	-	-	-	-	(7,199)	(7,199)
At 31 December 2005	11,500	142,900	65,647	-	(239,533)	(19,486)
Company						
At 31 December 2004 as previously stated	11,600	142,900	65,647	45	(125,134)	95,058
Prior year adjustment	(100)	-	-	(45)	(59,516)	(59,661)
At 31 December 2004 as restated	11,500	142,900	65,647	-	(184,650)	35,397
Loss for the year	-	-	-	-	(4,750)	(4,750)
Actuarial loss on pensions liability net of taxation	-	-	-	-	(7,199)	(7,199)
At 31 December 2005	11,500	142,900	65,647	-	(196,599)	23,448

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

21. Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings 2005 £'000	Other 2005 £'000	Land and buildings 2004 £'000	Other 2004 £'000
Expiry date				
- within one year	59	190	19	277
- in two to five years	348	578	21	367
- after five years	2,268	-	2,243	-
	<u>2,675</u>	<u>768</u>	<u>2,283</u>	<u>644</u>
Company				
Expiry date				
- within one year	59	190	19	277
- in two to five years	348	578	21	367
- after five years	2,268	-	2,243	-
	<u>2,675</u>	<u>768</u>	<u>2,283</u>	<u>644</u>

22. Capital commitments

At the year end, capital commitments were as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Contracted but not provided for	<u>5,828</u>	<u>225</u>	<u>5,828</u>	<u>225</u>

The amount of capital commitments are mainly attributable to the construction and the redevelopment of the manufacturing facilities in Rochdale and South Normanton sites.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments

The group provides pension arrangements to the majority of full-time employees through two defined benefit schemes and the related costs are assessed in accordance with the advice of professionally qualified actuaries. Both schemes are funded by the payment of contributions to separately administered trust funds.

Sun Chemical Limited Retirement Benefit Scheme (Scheme 1)

Details of the most recent actuarial valuation of the Sun Chemical Limited Retirement Benefit Scheme, which was conducted at 6 April 2004 and updated to 31 December 2005, using the projected unit credit method, are as follows:

Main assumptions (% pa):	
- rate of increase in salaries	3.00%
- rate of increase in pensions in payment	2.50%
- interest rate	4.90%
- return of scheme investments	7.00%
Results:	
- market value of scheme's assets as at 6 April 2004	£56,532,000
- funding level	70.00%

During the year ended 31 December 2005, the company paid contributions of £11,970,000. The amount includes the additional single contribution of £9,000,000 paid by the company on 1 July 2005. It has been agreed that during the next year the company will contribute 11.8% of pensionable salaries and employees will contribute 7.0% of pensionable salaries, except members who are under 25 years of age who pay 3.5% of pensionable salaries.

The FRS17 information below is based upon the market value of assets as at 31 December 2005 and accurate membership data as at the most recent valuation. The major assumptions used by the qualified independent actuary in providing this estimate were:

The major assumptions used for the actuarial valuation were:

	2005 %	2004 %	2003 %
Rate of increase in salaries	3.00	3.10	3.25
Rate of increase in pensions in payment	2.50	2.60	2.50
Discount rate	4.90	5.40	5.50
Inflation assumption	2.50	2.60	2.50

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2005 %	2005 £'000	2004 %	2004 £'000	2003 %	2003 £'000
Managed funds	7.00	51,639	7.25	32,607	7.25	31,514
Cash at bank	4.90	-	5.40	269	5.50	717
Secured pensions in payment	4.90	27,936	5.40	25,586	5.50	23,443
Total fair value of assets		79,575		58,462		55,674
Present value of scheme liabilities		(102,986)		(87,339)		(76,509)
Deficit in the scheme		(23,411)		(28,877)		(20,835)

A potential deferred tax asset of £7,023,300 (2004 - £8,663,100) has not been recognised due to the recent performance of the group.

History of experience gains and losses:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Difference between the expected and actuarial return on scheme assets	5,794	(320)	7,870	(9,028)
Percentage of scheme assets	7.30%	0.55%	14.14%	(20.0)%
Experience gains and losses on scheme liabilities	(703)	(5,143)	(2,756)	(2,254)
Percentage of scheme liabilities	0.70%	5.89%	(3.60)%	(3.60)%
Total amount recognised in Statement of Total Recognised Gains and Losses	(3,452)	(8,225)	(3,186)	(6,373)
Percentage of scheme liabilities	3.40%	9.42%	(4.20)%	(10.20)%

Coates Brothers Life Assurance and Pension Scheme (Scheme 2)

Details of the most recent actuarial valuation of the Coates Brothers Life Assurance and Pension Scheme, which was conducted at 5 April 2005 using the projected unit actuarial cost method, are as follows:

Main assumptions (% pa):

- rate of increase in salaries	3.00%
- rate of increase in pensions in payment	3.00%
- interest rate	4.90%
- return of scheme investments	7.25%

Results:

- actuarial value of scheme's assets as at 5 April 2005	£128,986,000
- market value of scheme's assets as at 31 December 2005	£152,992,000
- funding level	100.00%

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments (continued)

During the year ended 31 December 2005, the company paid contribution of £8,258,000. The amount includes the additional lump sum contribution of £6,000,000 paid in July 2005 results in the company contribution being greater than the pension expense.

The actuarial valuation for Coates Brothers Life Assurance and Pension scheme described above has been updated at 31 December 2005 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. The investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2005 %	2004 %	2003 %
Rate of increase in salaries	3.00	3.10	3.25
Rate of increase in pensions in payment	3.00	3.00	3.00
Rate of increase in pensions in deferment	2.50	2.60	3.00
Discount rate	4.90	5.40	5.50
Inflation assumption	2.50	2.60	2.50

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2005 %	2005 £'000	2004 %	2004 £'000	2003 %	2003 £'000
Equities	7.25	119,747	7.75	108,434	8.00	100,357
Bonds	4.30	32,985	4.80	17,641	5.10	16,325
Cash	4.50	260	4.00	56	4.50	-
		<hr/>		<hr/>		<hr/>
Total fair value of assets		152,992		126,131		116,682
Present value of scheme liabilities		(190,873)		(166,785)		(149,952)
		<hr/>		<hr/>		<hr/>
Deficit in the scheme		(37,881)		(40,654)		(33,270)

A potential deferred tax asset of £11,364,300 (2004 – £12,196,200) has not been recognised due to the recent performance of the group. The most recent actuarial review showed a reduction in the deficit in the pension scheme. Employer's contributions have been made at a rate of 12.5% of pensionable salaries with effect from February 2003, 10.0% from 1 April 2003 and then 11.8% from 1 April 2004. Members' contributions were paid at 5.0% of pensionable salaries until 31 March 2004 at which point contributions were increased to 7.0% of pensionable salaries.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments (continued)

History of experience gains and losses:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Difference between the expected and actuarial return on scheme assets	14,198	3,568	11,626	(34,686)
Percentage of scheme assets	9.00%	2.83%	9.96%	(34.4)%
Experience gains and losses on scheme liabilities	164	(669)	(2,337)	(4,955)
Percentage of scheme liabilities	0.09%	0.40%	1.56%	(3.70)%
Total amount recognised in Statement of Total Recognised Gains and Losses	(3,747)	(8,027)	(81)	(27,920)
Percentage of scheme liabilities	2.00%	4.81%	0.05%	(21.00)%

Analysis of the defined benefit cost for the year ended 31 December 2005 and 31 December 2004 were as follows:

	Scheme 1 £'000	Scheme 2 £'000	Total £'000
2005:			
Current service cost	(2,461)	(2,092)	(4,553)
2004:			
Current service cost	(2,993)	(2,106)	(5,099)

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments (continued)

Analysis of amounts included as other finance income/(cost):

	Scheme 1 £'000	Scheme 2 £'000	Total £'000
2005:			
Expected return on pension scheme assets	4,141	9,373	13,514
Interest on pension scheme liabilities	(4,732)	(9,019)	(13,751)
	<u>(591)</u>	<u>354</u>	<u>(237)</u>
Net other finance cost			
2004:			
Expected return on pension scheme assets	3,615	8,752	12,367
Interest on pension scheme liabilities	(4,159)	(8,167)	(12,326)
	<u>(544)</u>	<u>585</u>	<u>41</u>
Net other finance income/ (cost)			

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	Scheme 1 £'000	Scheme 2 £'000	Total £'000
2005:			
Actual return less expected return on pension scheme assets	5,794	14,198	19,992
Experience gains and losses arising on the scheme liabilities	(703)	164	(539)
Change in assumptions underlying the present value of the scheme liabilities	(8,543)	(18,109)	(26,652)
	<u>(3,452)</u>	<u>(3,747)</u>	<u>(7,199)</u>
Actual loss recognised in STRGL			
2004:			
Actual return less expected return on pension scheme assets	(320)	3,568	3,248
Experience gains and losses arising on the scheme liabilities	(5,143)	(669)	(5,812)
Change in assumptions underlying the present value of the scheme liabilities	(2,762)	(10,926)	(13,688)
	<u>(8,225)</u>	<u>(8,027)</u>	<u>(16,252)</u>
Actual loss recognised in STRGL			

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

23. Pension commitments (continued)

Movements in deficit during the year:

	Scheme 1	Scheme 2	Total
	£'000	£'000	£'000
2005:			
Deficit in scheme at beginning of year	(28,877)	(40,654)	(69,531)
Movement in year:			
Current service cost	(2,461)	(2,092)	(4,553)
Contributions	11,970	8,258	20,228
Other finance income/(cost)	(591)	354	(237)
Actuarial loss	(3,452)	(3,747)	(7,199)
	<u>(23,411)</u>	<u>(37,881)</u>	<u>(61,292)</u>
2004:			
Deficit in scheme at beginning of year	(20,835)	(33,270)	(54,105)
Movement in year:			
Current service cost	(2,993)	(2,106)	(5,099)
Contributions	3,720	2,164	5,884
Other finance income/(cost)	(544)	585	41
Actuarial loss	(8,225)	(8,027)	(16,252)
	<u>(28,877)</u>	<u>(40,654)</u>	<u>(69,531)</u>

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

24. Prior Year Adjustment

The group adopted FRS17 during the year and the effects of the adoption are summarised below.

	2004
Group	£'000
Profit and loss account:	
Decrease in other operating income per FRS 17	785
Decrease in finance charges per FRS 17	41
Reversal of SSAP 24 pension costs	5,458
Reversal of FRS 7 pension cost	4,220
	<hr/>
Net increase in profit for the financial year	10,504
	<hr/>
Balance sheet:	
Post retirement liability (net of deferred tax)	(69,531)
Reversal of SSAP 24 pension accrual	10,015
Reversal of FRS 7 pension prepayment	(37,981)
	<hr/>
Decrease in net assets	(97,497)
	<hr/>
	<hr/>
	2004
Company	£'000
Profit and loss account:	
Decrease in other operating income per FRS 17	785
Decrease in finance charges per FRS 17	41
Reversal of SSAP 24 pension costs	4,133
	<hr/>
Net decrease in loss for the financial year	4,959
	<hr/>
Balance sheet:	
Post retirement liability (net of deferred tax)	(69,531)
Reversal of SSAP 24 pension accrual	10,015
	<hr/>
Decrease in net assets	(59,516)
	<hr/>

The effects of the first year adaptation of FRS 25 are incorporated in profit and loss account and balance sheet in 2005 and 2004. The amount of 8.5% preference dividends of £9,000 was reclassified from dividends to finance charges in the profit and loss account both in 2005 and 2004. As a consequence, the accumulated dividends of £54,000 and £45,000 in 2005 and 2004 respectively were reclassified from other reserves to the profit and loss account under capital and reserves in the balance sheet in 2005 and 2004. The called-up preference shares of £100,000 were reclassified from called-up share capital to creditors: amounts falling due after more than one year in the balance sheet in both 2005 and 2004.

Sun Chemical Limited
Notes to the accounts
Year ended 31 December 2005

25. Subsequent events

On 30 June 2006 the Group closed its Liquid Inks and Publication Gravure Inks manufacturing facility at Watford and transferred the activity of this site to its manufacturing facilities at Rochdale and Yate. The freehold site at Watford is in the process of being marketed for sale.

On 30 September 2006 the Group closed its Sheet-fed Packaging Inks sales and distribution operation at Castle Donington and transferred the activity of this site to its sales, warehousing and distribution facility at South Normanton.

On 15 September 2006, the Group acquired 100% of the ordinary share capital of ECG Holdings (UK) Limited for £12.9m. The principal activity of ECG Holdings (UK) Limited and its subsidiary companies, Watt Gilchrist Limited and Parker Williams Design Limited, is that of graphic reproduction and design. The investment was financed through a £12.9m capital contribution from Sun Chemical NV SA, immediate parent company of Sun Chemical Limited.

In April 2006, an additional one off employer contribution to the Sun Chemical Limited Retirement Benefit Scheme, total £8,140,000, was made by the company.

26. Related party transactions

In accordance with the provisions of Financial Reporting Standards .8 'Related Party Disclosures', the Group has not disclosed details of transactions with group undertakings since the consolidated financial statements of Dainippon Ink and Chemicals Inc. in which the company is included, are publicly available at the address given in note 27.

27. Parent undertakings

The ultimate parent undertaking and the controlling undertaking of the largest group for which group financial statements are drawn up is Dainippon Ink and Chemicals Inc., a company incorporated in Japan.

Sun Chemical Limited is a wholly owned subsidiary of Sun Chemical NV SA, a company incorporated in Belgium, which in turn is a subsidiary of Sun Chemical Group B.V., a company incorporated in the Netherlands. Dainippon Ink and Chemicals Inc. heads the largest group and Sun Chemical Group B.V. heads the smallest group in which Sun Chemical Limited is a member for which group accounts are prepared.

The consolidated financial statements of Dainippon Ink and Chemicals Inc. are available to the public and may be obtained from DIC (Japan) Inc., DIC Building, 7-20 Nihonbashi, 3-Chome, Chuo-Ku, Tokyo 103, Japan.