Company Registration No. 4050539

CSI WOOD PROTECTION LIMITED

Report and Financial Statements

31 December 2004

REPORT AND FINANCIAL STATEMENTS 2004

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S B Ainscough
T J Riordan
M R Miles

SECRETARY

Clifford Chance Secretaries Limited

REGISTERED OFFICE

10 Upper Bank Street
London
E14 5JJ

BANKERS

Barclays Bank PLC
28 George Street
Luton
LU1 2AE

Bank Mendes Gans nv
PO Box 198
1000 AD Amsterdam
Herengracht 619

AUDITORS

Deloitte & Touche LLP
Liverpool

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The Company is principally engaged in the production of wood preservatives for use by sawmills and wood yards.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company traded profitably in the reporting period and continues to invest for the future.

DIVIDENDS

The directors do not recommend the payment of a dividend (2003 £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

S B Ainscough
T J Riordan
M R Miles

None of the directors had any interests in the shares of the company or of any other group company at the year end.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a 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

M. R. Miles

Director

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 as at the end of the financial year and of the profit or loss of the company 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;
- prepare the financial statements on a 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 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, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CSI WOOD PROTECTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of CSI Wood Protection Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 17. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 of the state of affairs of the company as at 31 December 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

25 January 2006

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Liverpool

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
TURNOVER	2	8,592	8,897
Cost of sales		(4,955)	(5,574)
GROSS PROFIT		3,637	3,323
Distribution costs		(454)	(434)
Administrative expenses		(1,931)	(1,608)
OPERATING PROFIT	4	1,252	1,281
Interest receivable and similar income		13	3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,265	1,284
Tax on profit on ordinary activities	5	(647)	(524)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		618	760
Reserves brought forward		1,105	345
Reserves carried forward		1,723	1,105

There have been no recognised gains and losses or movements in shareholders' funds other than the profit for the current and prior year and accordingly, no separate statement of total recognised gains and losses is shown.

All operations are continuing.

BALANCE SHEET
31 December 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets	6	6,875	7,308
Tangible assets	7	844	874
		7,719	8,182
CURRENT ASSETS			
Stocks	8	380	494
Debtors	9	1,544	1,669
Cash and bank		3,876	2,951
		5,800	5,114
CREDITORS: amounts falling due within one year	10	(1,677)	(2,072)
NET CURRENT ASSETS		4,123	3,042
TOTAL ASSETS LESS CURRENT LIABILITIES		11,842	11,224
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Share premium		9,119	9,119
Profit and loss account		1,723	1,105
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	11,842	11,224

These financial statements were approved by the Board of Directors on 19 January 2006

Signed on behalf of the Board of Directors

M. R. Miles

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

Depreciation is provided at rates appropriate to the write off of fixed assets over their expected useful lives. Annual rates of depreciation most widely used are:

Land	nil
Freehold Buildings	over 50 years
Plant, machinery and equipment	over 3 to 15 years

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 substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the 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 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.

Operating leases

Costs incurred in respect of operating leases are charged in arriving at the operating profit for the year.

Pensions

The Company operates a defined contribution pension scheme for the benefit of employees. The costs of Company contributions are charged to the profit and loss account in the period in which they occur. Refer to note 17 for details of SSAP 24 and FRS 17 disclosures.

Goodwill and intangible fixed assets

On the acquisition of a business fair values are attributed to the company's share of net assets. Where the costs of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition. The profit or loss on disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account. Goodwill is amortised over its expected useful life up to a maximum of 20 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stocks.

Cashflow statement

The company's UK parent undertaking, Rockwood Specialties Limited, includes a cash flow statement in its accounts. Therefore, in accordance with Financial Reporting Standard No.1 no such statement is included in these accounts.

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. Turnover is recognised on the despatch of goods and provision of services.

Geographical analysis, by destination	2004 £'000	2003 £'000
United Kingdom	2,692	3,087
Europe	2,663	3,097
Other	3,237	2,713
	8,592	8,897

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All the directors receive no emoluments in respect of services to the company.

Average number of persons employed	2004 No.	2003 No
Production	9	9
Sales and distribution	8	8
Administration	3	2
	20	19

Staff costs during the year	£'000	£'000
Wages and salaries	591	554
Social security costs	68	59
Pension costs	83	65
	742	678

4. OPERATING PROFIT

Operating profit is stated after charging the following items:	£'000	£'000
Depreciation of tangible fixed assets	119	108
Goodwill amortisation	433	433
Rentals under operating leases		
Other operating leases	41	43
Auditors' remuneration		
For audit work	8	8
For non-audit work	-	-

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
UK corporation tax at 30% based on the profit for the year (2003 30%)	555	568
Adjustments in respect of prior period	(51)	28
	504	596
Deferred taxation		
- timing differences, origination and reversal	-	(45)
- adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods	96	-
- prior year	47	(27)
	647	524

Factors affecting tax charge for the current year:

The tax assessed for the year is higher (2003: higher) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	1,265	1,284
Tax at 30% thereon:	380	385
Effects of:		
Expenses not deductible for tax purposes	134	138
Capital allowances in excess of depreciation	32	29
Movement in short term timing differences	9	16
Prior year adjustment	(51)	28
Current tax charge for year	504	596

6. INTANGIBLE FIXED ASSETS

	Goodwill on acquisition £'000
Cost	
At 1 January 2004 and 31 December 2004	8,664
Accumulated depreciation	
At 1 January 2004	1,356
Charge for the year	433
At 31 December 2004	1,789
Net book value	
At 31 December 2004	6,875
At 31 December 2003	7,308

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

7. TANGIBLE FIXED ASSETS

	Land and buildings leasehold £'000	Plant and machinery and equipment fixed £'000	Total £'000
Cost			
At 1 January 2004	499	681	1,180
Additions	-	89	89
At 31 December 2004	499	770	1,269
Accumulated depreciation			
At 1 January 2004	37	269	306
Charge for the year	12	107	119
At 31 December 2004	49	376	425
Net book value			
At 31 December 2004	450	394	844
At 31 December 2003	462	412	874

8. STOCKS

	2004 £'000	2003 £'000
Raw materials and consumables	265	273
Finished goods and goods for resale	115	221
	380	494

9. DEBTORS

	2004 £'000	2003 £'000
Trade debtors	834	1,064
Amounts owed by group companies	535	284
Prepayments and accrued income	71	105
Other debtors	104	73
Deferred taxation (note 11)	-	143
	1,544	1,669

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £'000	2003 £'000
Trade creditors	705	969
Amounts owed to group companies	136	2
Taxation and social security	574	899
Other creditors	9	7
Accruals and deferred income	253	195
	1,677	2,072

11. DEFERRED TAXATION

	£'000
Balance at 1 January 2004 - asset	143
Current year charge	(143)
Balance at 31 December 2004	-

Analysis of deferred tax balance

	2004 £'000	2003 £'000
Capital allowances in excess of depreciation	-	91
Short term timing differences	-	52
	-	143

A deferred tax asset has not been recognised in respect of timing differences relating to excess capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £136,470. The asset would be recovered if there were sufficient future taxable profits arising in the Rockwood Specialties Limited UK group.

12. CALLED UP SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
5,000,000 ordinary shares of £1 each	5,000	5,000
Called up, allotted and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	618	760
Net addition to shareholders' funds	618	760
Opening shareholders' funds	11,224	10,464
Closing shareholders' funds	11,842	11,224

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given in FRS8 - Related Party Disclosures - in not disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

15. COMMITMENTS

There were no capital commitments at 31 December 2004. At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Other £'000
Amounts due relating to leases expiring:	
Within one year	21
Within two to five years	19
	40

16. PENSIONS

The Company participates in the Rockwood UK Retirement Plan (the 'Plan'). This is a funded pension scheme, which provides pensions on a defined benefit basis for services until 20 May 2001 and a defined contribution basis for service after 20 May 2001. The total pension cost in respect of defined contribution entitlements for the year was £1,243,000 (2003: £1,048,000). In addition certain members have transferred benefits accrued in a previous scheme to this Plan and these benefits, for active members, retain a link to future salary growth.

The Group currently accounts for pensions under SSAP24. Under the transitional arrangements for FRS17, the Group is required to provide additional disclosures relating to its pension plan. These are provided below.

The company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis for the purposes of SSAP 24 or FRS 17. The pension charge for the company for the year was £83,000 (2003: £65,000).

SSAP24

A valuation was carried out by a qualified independent actuary at 1 January 2004 using the projected unit method.

The assumptions, which have the most significant effect on the results of the valuation, are set out below:

Investment returns	
- before retirement	5.4% p.a.
- after retirement	4.5% p.a.
Increase in:	
Salaries	3.25% p.a.
Present and future pensions	2.75% p.a.
Retail price inflation	2.75% p.a.

The total market value of the Plan's assets at the last valuation date, together with the funding level as a percentage of accrued benefits after allowing for future increases in earnings, was £8,730,000.

Although the Group pays no regular contributions in respect of the defined benefit entitlements, informal actuarial assessments are carried out at least annually to monitor the funding position. As a result of such an assessment, a contribution of £300,000 was paid to the plan in 2003.

At the same assessment, it was also calculated the pension expense for the year arising from applying a basis consistent with the requirements of SSAP24 was also £300,000. Accordingly, no provision or prepayment for pension costs exists on the balance sheet at 31 December 2003.

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

16. PENSIONS (continued)

FRS17

The accounting standard, FRS 17 *Retirement benefits*, has been issued and applies to accounting periods ending on or after 22 June 2005, with transitional requirements applying this year. Under the transitional arrangements of FRS 17, the group is required to disclose the following information about the scheme and the figures that would have been shown in the Company balance sheet if FRS 17 applied in full at the year end.

The full actuarial valuation at 1 January 2005 was updated by a qualified independent actuary, using at each 31 December the following assumptions in relation to future experience:

The figures shown above were calculated on the basis of the following assumptions:

	2004	2003	2002
Discount rate	5.4%	5.5%	5.75%
Rate of increase in salaries	3.25%	3.0%	3.25%
Rate of increase in deferred pensions	2.75%	2.5%	2.25%
Rate of increase in pensions in payment	2.75%	2.5%	2.25%
Inflation assumption	2.75%	2.5%	2.25%

In addition to the above assumptions, an adjustment to the value of the liabilities has also been made at the 31 December 2004 year end to reflect the fact that at each member's retirement, the benefits are secured with an insurance company, rather than paid from cash flow. This is reflected in the actuarial loss on change in assumptions shown below.

The assets in the scheme and the expected rates of return at 31 December were:

	2004 Long term rate of return expected	2004 Value £'000	2003 Long term rate of return expected	2003 Value £'000	2002 Long term rate of return expected	2002 Value £'000
Equities	7.5%	6,568	7.8%	5,705	7.69%	5,396
Bonds	5.4%	2,106	5.5%	1,902	5.75%	1,799
Cash		56		-		-
Total market value of assets		8,730		7,607		7,195
Present value of scheme liabilities		(16,000)		(12,830)		(10,959)
Deficit in scheme		(7,270)		(5,223)		(3,764)
Related deferred tax asset		2,181		1,567		1,129
Net pension liability		(5,089)		(3,656)		(2,635)

Amounts that would have been included within the financial statements for the year ended 31 December 2004 had FRS 17 been applied are as follows:

	2004 £'000	2003 £'000
Amounts charged to operating profit:		
Current service cost	-	-
Special termination benefits	-	496
Total included within operating profit	-	496

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

16. PENSIONS (continued)

Amounts included as other finance costs:	**2004 £'000**	**2003 £'000**
Expected return on scheme assets	(560)	(507)
Interest cost on scheme liabilities	776	623
Net finance charge	216	116

Amounts that would have been included within the Statement of Total Recognised Gains and Losses in the year to 31 December 2004 had FRS 17 been applied are shown below.

	2004 £'000	**2004 %**	**2003 £'000**	**2003 %**
Difference between actual and expected return on scheme assets	305	3.5	721	9.5
Experience gains arising on scheme liabilities	(466)	(2.9)	(168)	(1.3)
Effects of changes in assumptions underlying the present value of scheme liabilities	(1,970)	(12.3)	(1,600)	(12.5)
Total actuarial gains and losses recognised STRGL	(2,131)	(13.3)	(1,047)	(8.2)

Analysis of the movement in the scheme deficit during the year	**2004 £'000**	**2003 £'000**
Opening deficit in the scheme	(5,223)	(3,764)
Contributions	300	200
Termination benefits	-	(496)
Other finance income	(216)	(116)
Actuarial gains	(2,131)	(1,047)
Closing deficit in the scheme	(7,270)	(5,223)

Had FRS 17 been fully implemented the effect would have been to reduce the UK group profit and loss reserve by £5,089,000 (after allowances for deferred tax) (2003 £3,656,000).

History of experience gains and losses	**2004 £'000**	**2003 £'000**	**2002 £'000**
Actual return less expected return on scheme assets	305	721	(2,740)
- expressed as % of scheme assets	3.5%	9.5%	(38.1%)
Experience gains/(losses) arising on scheme liabilities	(466)	(168)	(188)
- expressed as % of scheme assets	(2.9%)	(1.3%)	1.7%
Total actuarial gains/(losses) recognised in STRGL	(2,131)	(1,047)	(1,777)
- expressed as % of scheme assets	(13.3%)	(18.2%)	(16.2%)

17. ULTIMATE PARENT UNDERTAKING

Rockwood Specialties Limited, a company registered in England, is the parent undertaking of CSI Wood Protection Limited. The financial statements of Rockwood Specialties Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The Company's ultimate parent company is Rockwood Holidays Inc. Copies of group accounts can be obtained from 100 Overlook Centre, Princeton, New Jersey, USA.