

**CSI WOOD PROTECTION LIMITED**

**Report and Financial Statements**

**31 December 2005**

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**REPORT AND FINANCIAL STATEMENTS 2005**

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**REPORT AND FINANCIAL STATEMENTS 2005**

**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 2005.

**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 (2004 £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 *15 December 2006*

## 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.*

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CSI WOOD PROTECTION LIMITED**

We have audited the financial statements of CSI Wood Protection Limited for the year ended 31 December 2005 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 (United Kingdom Generally Accepted Accounting Practice). 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 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**

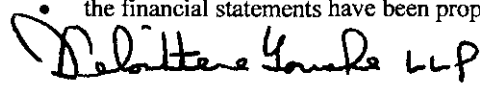
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the 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  
Liverpool

20 December 2006

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2005**

	<b>Note</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>TURNOVER</b>	<b>2</b>	<b>8,065</b>	<b>8,592</b>
Cost of sales		(4,721)	(4,955)
<b>GROSS PROFIT</b>		<b>3,344</b>	<b>3,637</b>
Distribution costs		(418)	(454)
Administrative expenses		(1,712)	(1,931)
<b>OPERATING PROFIT</b>	<b>4</b>	<b>1,214</b>	<b>1,252</b>
Interest receivable and similar income		15	13
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,229</b>	<b>1,265</b>
Tax on profit on ordinary activities	<b>5</b>	(532)	(647)
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	<b>13</b>	<b>697</b>	<b>618</b>
<b>Reserves brought forward</b>		<b>1,723</b>	<b>1,105</b>
<b>Reserves carried forward</b>		<b>2,420</b>	<b>1,723</b>

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 2005**

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible assets	6	6,442	6,875
Tangible assets	7	835	844
		<u>7,277</u>	<u>7,719</u>
<b>CURRENT ASSETS</b>			
Stocks	8	580	380
Debtors	9	1,806	1,544
Cash and bank		5,159	3,876
		<u>7,545</u>	<u>5,800</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(2,283)</u>	<u>(1,677)</u>
<b>NET CURRENT ASSETS</b>		<u>5,262</u>	<u>4,123</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,539</u>	<u>11,842</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,000	1,000
Share premium		9,119	9,119
Profit and loss account		2,420	1,723
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>12,539</u>	<u>11,842</u>

These financial statements were approved by the Board of Directors on *15 December 2006*  
Signed on behalf of the Board of Directors

*M R Miles*

Director



## NOTES TO THE ACCOUNTS

### Year ended 31 December 2005

#### 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 makes pension contributions to the Rockwood UK Retirement Plan (the 'Plan'). This is a funded pension plan, 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 defined benefit plan is accounted for as a multi-employer plan under FRS 17. Contributions are charged to the profit and loss account as they become payable.

The employers pension costs for the defined contribution plan are charged to the profit and loss account as they become payable.

The company has adopted FRS 17 "Retirement Benefits" during the year. Prior to the adoption of FRS 17, the company accounted for pension costs in line with SSAP 24. Under SSAP 24 the expected cost of providing pensions (as calculated by an independent actuary) was charged to the profit and loss account so as to spread the cost over the service lives of employees. The change in accounting policy does not impact on the results disclosed in the prior year financial statements.

##### 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.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

## 1. ACCOUNTING POLICIES (continued)

**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.

## 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.

	2005 £'000	2004 £'000
<b>Geographical analysis, by destination</b>		
United Kingdom	2,248	2,692
Europe	2,868	2,663
Other	2,949	3,237
	<u>8,065</u>	<u>8,592</u>

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2005 No	2004 No.
<b>Average number of persons employed</b>		
Production	10	9
Sales and distribution	8	8
Administration	3	3
	<u>21</u>	<u>20</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year</b>		
Wages and salaries	544	591
Social security costs	67	68
Pension costs	85	83
	<u>696</u>	<u>742</u>

## 4. OPERATING PROFIT

	£'000	£'000
<b>Operating profit is stated after charging the following items:</b>		
Depreciation of tangible fixed assets	108	119
Goodwill amortisation	433	433
Rentals under operating leases		
Other operating leases	39	41
Auditors' remuneration		
For audit work	8	8
For non-audit work	-	-
	<u></u>	<u></u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
UK corporation tax at 30% based on the profit for the year (2004: 30%)	533	555
Adjustments in respect of prior period	(1)	(51)
	<u>532</u>	<u>504</u>
Deferred taxation		
- adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods	-	96
- prior year	-	47
	<u>532</u>	<u>647</u>

**Factors affecting tax charge for the current year:**

The tax assessed for the year is higher (2004: higher) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Profit on ordinary activities before tax	<u>1,229</u>	<u>1,265</u>
Tax at 30% thereon:	369	380
<b>Effects of:</b>		
Expenses not deductible for tax purposes	135	134
Capital allowances in excess of depreciation	29	32
Movement in short term timing differences	-	9
Prior year adjustment	(1)	(51)
Current tax charge for year	<u>532</u>	<u>504</u>

**6. INTANGIBLE FIXED ASSETS**

	<b>Goodwill on acquisition</b> <b>£'000</b>
<b>Cost</b>	
At 1 January 2005 and 31 December 2005	<u>8,664</u>
<b>Accumulated depreciation</b>	
At 1 January 2005	1,789
Charge for the year	433
At 31 December 2005	<u>2,222</u>
<b>Net book value</b>	
At 31 December 2005	<u>6,442</u>
At 31 December 2004	<u>6,875</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**7. TANGIBLE FIXED ASSETS**

	<b>Land and buildings leasehold £'000</b>	<b>Plant and machinery and equipment fixed £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2005	499	770	1,269
Additions	8	91	99
At 31 December 2005	507	861	1,368
<b>Accumulated depreciation</b>			
At 1 January 2005	49	376	425
Charge for the year	12	96	108
At 31 December 2005	61	472	533
<b>Net book value</b>			
At 31 December 2005	446	389	835
At 31 December 2004	450	394	844

**8. STOCKS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Raw materials and consumables	431	265
Finished goods and goods for resale	149	115
	580	380

**9. DEBTORS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Trade debtors	918	834
Amounts owed by group companies	578	535
Prepayments and accrued income	155	71
Other debtors	155	104
Deferred taxation (note 11)	-	-
	1,806	1,544

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Trade creditors	979	705
Amounts owed to group companies	84	136
Group relief payable	1,087	555
Taxation and social security	21	19
Other creditors	9	9
Accruals and deferred income	103	253
	<u>2,283</u>	<u>1,677</u>

## 11. DEFERRED TAXATION

£'000

Balance at 1 January 2005 and 31 December 2005

-

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 £165,844. 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

	2005 £'000	2004 £'000
<b>Authorised</b>		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<b>Called up, allotted and fully paid</b>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

## 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	<u>697</u>	<u>618</u>
Net addition to shareholders' funds	697	618
Opening shareholders' funds	<u>11,842</u>	<u>11,224</u>
Closing shareholders' funds	<u>12,539</u>	<u>11,842</u>

## 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.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

## 15. COMMITMENTS

There were no capital commitments at 31 December 2005. At 31 December 2005 the company had annual commitments under non-cancellable operating leases - other as set out below:

	2005 £'000	2004 £'000
Amounts due relating to leases expiring:		
Within one year	19	21
Within two to five years	-	19
	<u>19</u>	<u>40</u>

## 16. PENSIONS

The company participates in the Rockwood UK Retirement Plan, which all permanent employees of Rockwood companies in the UK are eligible to join. This is a funded pension plan, 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 charge to the profit and loss account in respect of the pension plan was £85,000 (2004: £83,000).

The Rockwood UK Retirement Plan is a multi-employer scheme covering all Rockwood companies in the UK. CSI Wood Protection Limited is unable to identify its share of the underlying assets (and liabilities) of the plan because the assets are not separately assigned to the individual members. The assets of the plan are invested on an aggregated basis with no identification of assets relating to an individual employer. A proportion of the liability within the plan for deferred and pensioner members relates to employers who no longer participate in the plan. Contributions are set for the plan as a whole rather than reflecting the actuarial characteristics of the employees of the individual employer. Splitting the plan in these circumstances would have to be done in an arbitrary manner and would therefore not reflect a realistic value. As a result the company has taken advantage of the exemption permitted by FRS 17 not to bring the assets and liabilities of the plan onto the company balance sheet.

FRS 17, under the multi-employer accounting, requires the company to account for its defined benefit plan as a defined contribution plan. The future contributions of the company will be affected by the deficit on the group plan, details of which are disclosed below.

The assets in the plan and the expected rates of return at 31 December 2005 were:

	2005 long term rate of return expected	2005 value £'000
Equities	7.95%	6,425
Bonds	4.75%	2,083
Cash	4.10%	355
Total market value of asset		8,863
Present value of scheme liabilities		(21,362)
Deficit in scheme		(12,499)
Related deferred tax asset		-
Net pension liability		<u>(12,499)</u>

**NOTES TO THE ACCOUNTS****Year ended 31 December 2005****16. PENSIONS (continued)**

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

	<b>As at 31 December 2005</b>
Assumptions:	
Discount rate	4.75% pa
Price inflation	3.00% pa
Salary increases	4.50% pa
Deferred pensions	3.00% pa
Pension increases in payment	<u>3.00% pa</u>

**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 and ultimate controlling party is Rockwood Holdings Inc. Copies of group accounts can be obtained from 100 Overlook Centre, Princeton, New Jersey, USA.