

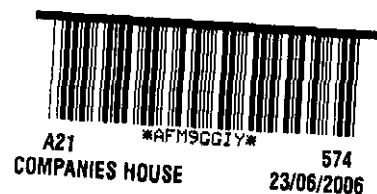


**KemFine UK Limited (formerly
Avecia Fine Chemicals Limited)**

**Directors' report and financial
statements**

Registered number: 5369235

Period ended 16 September 2005



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Directors and advisors:

Directors:

Yrjö Sipilä (appointed 16th September 2005)

Hannu Isohaaro (appointed 16th September 2005)

Matti Packalén (appointed 16th September 2005)

Ulf Björkqvist (appointed 16th September 2005)

Tom Shields (appointed 16th September 2005)

Company Secretary:

Stephen Coombe (appointed 16th September 2005)

Registered Office:

100 Barbirolli Square

Manchester

M2 3AB

Auditors:

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Kintyre House

209 West George Street

Glasgow

Solicitors:

Dickson Minto

Solicitors

Edinburgh

Bankers:

Royal Bank of Scotland

36 St Andrews Square

Edinburgh

Directors' report

The directors present their annual report and the audited financial statements for the period 18th February 2005 to 16th September 2005.

Principal activities

The company manufactures and sells specialty chemical products, and provides industrial services to customers in a range of industries. Specialty chemicals are used in the manufacture of a wide variety of products including, chemical intermediates for pharmaceutical and agrochemical products, disinfectants, sanitisers and additives. The directors do not foresee any change in activities in the foreseeable future.

Business review

The Company was incorporated as Avecia Fine Chemicals Limited on 18th February 2005. On 1st May 2005, the company acquired a range of assets and liabilities from Avecia Ltd to continue the operations previously reported as an operating division within that company. On 16th September 2005, Avecia Fine Chemicals Limited was acquired by KemFine Group OY, changing its name to KemFine UK Limited. During the period, the company made a profit before tax of £1,332,000.

Following a review of the estimated fair value of the assets at 16th September 2005, a charge for impairment of Goodwill of £15,294,000 has been charged during the period. In addition, £16,500,000 of the Loan owed to Avecia Limited had been waived during the period.

The directors expect some growth during the remainder of 2005 and into 2006, although this is highly dependant on securing new business.

The business remains a going concern through the support of its current parent, KemFine Group OY, who have expressed their intention of continued financial support.

The directors do not recommend the payment of a dividend.

Research and development

The company carries out no research. Product development and process technology efforts are driven by the specific requirements of each of our customers. Where appropriate, development and process technology efforts are managed in cross-functional teams which involve commercial and manufacturing personnel. It is believed that this structure supports clear business and customer focus. Process technology groups are located at the site in Grangemouth.

Directors and directors' interests

The directors who held office during the period were as follows:

David Greensmith (resigned 16th September 2005)
Derrick Nicholson (resigned 16th September 2005)
Jeremy Scudamore (resigned 16th September 2005)
Yrjö Sipilä (appointed 16th September 2005)
Hannu Isohaaro (appointed 16th September 2005)
Matti Packalén (appointed 16th September 2005)
Ulf Björkqvist (appointed 16th September 2005)
Tom Shields (appointed 16th September 2005)

No director had any interest in the ordinary shares of the company. The interests of the directors who held office at the end of the financial year in the shares of KemFine Group OY are disclosed in the financial statements of that company.

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families during the financial year.

Employees

Employee involvement

The company adopts an approach of being honest and open with employees about matters affecting the business. The company is fully committed to keeping all employees informed about the performance, progress and issues relating to their business or work unit, and about wider business issues. A forum for employee consultation at European level was previously in place in the Avecia group, set up and was chaired by the Chief Executive. The appropriate forum for achieving similar involvement within the KemFine Group is currently still under review.

Equal opportunities

The company believes that every employee should be treated with the same respect and dignity. It values the rich diversity and creative potential of people with differing backgrounds and abilities, and encourages a culture of equal opportunities in which personal success depends on personal merit and performance. It is company policy that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job. All judgements about people for the purposes of recruitment, development and promotion will be made solely on the basis of their ability and potential in relation to the needs of the job. Every manager is responsible for implementing this policy.

Employment of people with disabilities

It is company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising potential. The company also takes all reasonable steps to ensure that its working environments can accommodate special needs. The company also makes every effort to continue to employ staff who may become disabled whilst employed, providing appropriate training and adapting facilities to allow them to continue working where possible.

Political and charitable contributions

The company made no political or donations to UK charities during the period.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the period as explained on page 9 under Note 2 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 16 September 2005 and that applicable accounting standards have been followed.

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

In respect of each of the Directors serving at the time these accounts were approved:

- So far as they are aware, there has been no relevant audit information of which the company auditors are unaware, and.
- Each has taken all steps that he ought to take as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to a shareholders' resolution, PricewaterhouseCoopers LLP were appointed as auditors to the company on 17th September 2005.

Tom Shields
Director

20th June 2006

100 Barbirolli Square
Manchester
M2 3AB



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEMFINE UK LIMITED

We have audited the financial statements of KemFine UK Limited for the period ended 16 September 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 16 September 2005 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

20th June 2006

Profit and loss account
for the period ended 16 September 2005

	<i>Note</i>	Period ended 16 September 2005 £000
Turnover	<i>4</i>	15,827
Cost of sales		(13,578)
		<hr/>
Gross profit		2,249
Distribution costs		(76)
Administrative costs		(1,624)
R&D/Technical costs		(326)
Other operating income	<i>5</i>	1,228
		<hr/>
Operating profit	<i>6</i>	1,451
Interest payable	<i>9</i>	(119)
		<hr/>
Profit/(loss) on ordinary activities before taxation	<i>7,8</i>	1,332
Tax on profit on ordinary activities	<i>10</i>	-
		<hr/>
Profit on ordinary activities after taxation and retained for the period		1,332
		<hr/>

Balance sheet
as at 16 September 2005

	<i>Note</i>	<u>As at 16th September 2005</u>
		£000
Fixed assets		
Goodwill	11	10,788
Tangible assets	12	21,567
		<hr/>
		32,355
Current assets		
Stocks	13	3,315
Debtors: amounts due in less than one year	14	5,270
Cash at bank and in hand		-
		<hr/>
		8,585
Creditors: amounts falling due within one year	15	(9,854)
		<hr/>
Net current liabilities		(999)
		<hr/>
Total assets less current liabilities		31,356
Creditors: amounts falling due after more than one year	16	(8,696)
Provisions for liabilities and charges	17	(778)
		<hr/>
Net assets excluding pension liabilities		21,882
Pension liability	22	(17,550)
		<hr/>
Net assets		4,332
		<hr/>
Capital and reserves		
Called up share capital	18	3,000
Profit and loss account	19	1,332
		<hr/>
Equity shareholders' funds		4,332
		<hr/>

These financial statements were approved by the board of directors on 20th June 2006 and were signed on its behalf by:

T Shields
 Director



Reconciliation of movements in shareholders funds
as at 16th September 2005

	£000
Profit for the period	1,332
Other recognised gains and losses relating to the year	-
Net increase in shareholders' funds	1,332
Opening shareholder's funds	3,000
Closing shareholder's funds	4,332

Statement of total recognised gains and losses
for the period ended 16 September 2005

	£000
Profit for the period	1,332
Actuarial loss relating to pension liability	-
Total recognised gains and losses relating to the period	1,332

Notes

(forming part of the financial statements)

1 Basis of preparation

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

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

As 100% of the company's voting rights are controlled within the group headed by KemFine Group OY, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

2 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Goodwill

On original transfer of assets into the business, values were attributed to the net assets acquired. Goodwill represented the shortfall of the value of the separable net assets over the value of the consideration given, which has been capitalised and is being amortised to nil by equal instalments over its estimated useful life.

Goodwill arising on the purchase of intellectual property is amortised over its useful economic life of 10 years.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment.

Depreciation and amortisation

The book value of each tangible asset is written off evenly over its estimated remaining life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impracticable to calculate the average asset lives exactly. However, the total lives approximate to 25 years for buildings and 10 years for plant and equipment. Depreciation of assets qualifying for grants is calculated on their full cost. Intangible assets, including patents, acquired are capitalised and amortised over their estimated useful lives (not exceeding 20 years) in line with the benefits accruing. If related products fail, the remaining unamortised amounts are written off to revenue expense. Internally developed intangible assets are not capitalised.

Environmental liabilities

The company is exposed to environmental liabilities relating to operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

Notes (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange differences on foreign currency borrowings and deposits are included within net interest payable.

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Post-retirement benefits

The company operates both Defined Benefit and Defined Contribution schemes. The assets of the pension schemes are held separately from those of the Company. In the case of defined benefit schemes, assets are measured using market values. Liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency. Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. In the case of Defined Contribution schemes, the amount charged to the profit and loss account represents the contributions payable to the scheme in the period.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Stocks valuation

Finished goods are stated at the lower of cost and net realisable value, and raw materials and other stocks at the lower of cost or replacement price. The first in, first out or an average method of valuation is used. In determining cost, selling expenses and all overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as selling price less costs of disposal.

Taxation

The charge for taxation is based on the profits for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover and revenue recognition

Turnover excludes value added taxes. The company generates revenue through sales of specialty chemicals and related services in the open market, through raw material conversion agreements and service contracts. Revenue is recognised when ownership of the products are passed to the customer or when services have been rendered.

Notes (continued)

Government grants

Government grants made as a contribution towards revenue expenditure, or for an objective with an associated revenue cost (such as job creation) are included on the balance sheet as deferred income and released to the profit and loss account in line with the costs being incurred.

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Where grants comprise both capital and revenue elements, these elements are split out on a reasonable basis and each element is treated as described above.

3 Acquisition of Assets and Liabilities 1st May 2005

On 1st May, the trade and assets of the Avecia Fine Chemicals business (previously a reporting division) were acquired from Avecia Limited. These have been accounted for using the acquisition method.

From 1st January 2005 to commencement of trading on 1st May, the division reported a turnover of £13,710,000, and profit before tax of £433,000. From date of incorporation (28th February) to commencement of trading, the business reported a turnover of £6,921,000, and profit before tax of £276,000.

Net Liabilities acquired at 1st May 2005 were £268,000 (as shown below) which was discharged by issue of share capital (£3,000,000), and through a Loan Account with the parent, Avecia Limited (£22,500,000) :

	Book Value At 1 st May £000	Fair Value Adjustments £000	Fair Value At 1 st May £000
Land, Buildings and Plant	22,499	-	22,499
Intangibles	200	-	200
Total Fixed assets	22,699	-	22,699
Stock, Debtors and Creditors	1,522	-	1,522
Creditors > 12 months	(3,446)	-	(3,446)
Provisions	(3,103)	-	(3,103)
Pension Deficit	(17,940)	-	(17,940)
Net Assets/(Liabilities) acquired	(268)		(268)
Goodwill			25,768
Consideration			25,500
Consideration satisfied by:			
- Shares Issued			3,000
- Loan			22,500
			25,500

Notes (continued)

4 Analysis of turnover

	Period ended 16 September 2005 £000
<i>By geographical market</i>	
UK	8,117
Continental Europe	7,015
Americas	695
Asia, Africa and Australasia	-
	<hr/> 15,827 <hr/>

5 Other Operating Income

Other operating income includes a £16,500,000 write-off of a loan between Avecia Fine Chemicals and Avecia Limited, and an impairment of goodwill of £15,294,000

6 Operating Profit

	Period ended 16 September 2005 £000
<i>Operating Profit is stated after charging/(crediting)</i>	
Depreciation and other amounts written off tangible fixed assets:	
Owned	764
Leased	206
Impairment of goodwill	15,294
Waiver of loan from parent Avecia Limited	(16,500)
Operating lease charges for plant & machinery	152
Auditors fees payable for audit	35
Auditors fees for other services	23
Research and development expenditure	290
	<hr/>

Notes (continued)

7 Remuneration of directors

**Period ended
16 September
2005
£000**

Directors' emoluments	-
-----------------------	---

Directors' emoluments were paid by other companies within the Avecia group during the period.

**Number of directors
To 16th Sept
2005**

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	-
Defined benefit schemes	-

8 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees
Manufacturing	262
Research and Development	10
Management/Administrative	30
	<hr/>
	302
	<hr/>

The aggregate payroll costs of these persons were as follows:

**Period ended
16 September
2005
£000**

Wages and salaries	4,022
Social security costs	410
Other pension costs (see Note 22)	830
	<hr/>
	5,262
	<hr/>

Notes (continued)

9 Interest payable and similar charges

	Period ended 16 September 2005 £000
Finance charges payable in respect of finance leases	119
Group Interest charges	-
	<hr/>

10. Taxation

The company has no UK corporation tax charge due to the losses in the Avecia group which are available for group relief.
 The tax assessed for the period is lower than the standard rate of corporation tax (30%). The differences are explained below:

	Period ended 16 September 2005 £000
Profits on ordinary activities before tax	1,332
	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	400
Effects from:	
Depreciation in excess of capital allowances	(301)
Research and development allowances	(22)
Items not taxable	(5)
Items not allowable	4,588
Special Pension Payments	(11)
Depreciation on leased assets	62
Losses brought forward utilised in current period	(4,711)
	<hr/>
Current Taxes	-
Deferred taxes	-
	<hr/>
Tax on profit on ordinary activities	-
	<hr/>

Notes (continued)

11. Goodwill and intangible Assets

	Goodwill £000	Intangibles £000
<i>Cost or valuation</i>		
As of 18 th February 2005	-	-
Acquired as of 1 st May	25,768	200
Acquisitions	314	-
Disposals	-	(200)
	<hr/>	<hr/>
At end of period	26,082	-
	<hr/>	<hr/>
<i>Depreciation</i>		
As of 18 th February 2005	-	-
Acquired as of 1 st May	-	-
Charge for year	-	-
Impairment	15,294	-
Disposals	-	-
	<hr/>	<hr/>
At end of period	15,294	-
	<hr/>	<hr/>
<i>Net book value:</i>		
At 18 February 2005	-	-
	<hr/>	<hr/>
At 16 September 2005	10,788	-
	<hr/>	<hr/>

Notes (continued)

12 Tangible Fixed Assets

	Land and buildings	Plant and machinery	Assets in the course of construction	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
As of 18 th February 2005	-	-	-	-
Acquired as of 1 st May	7,963	86,958	328	95,249
Acquisitions	-	61	(22)	39
Disposals	-	-	-	-
At end of period	7,963	87,019	306	95,288
<i>Depreciation</i>				
As of 18 th February 2005	-	-	-	-
Acquired as of 1 st May	4,464	68,286	-	72,750
Charge for year	131	840	-	971
Impairment	-	-	-	-
Disposals	-	-	-	-
At end of period	4,595	69,126	-	73,721
<i>Net book value:</i>				
At 18 February 2005	-	-	-	-
At 16 September 2004	3,368	17,893	306	21,567

Included in the total net book value of land and buildings and plant and machinery at 16 September 2005 is £322,000, and £2,694,000 respectively relating to assets held under finance leases (all Long Term). Depreciation for the period ended 16 September 2005 on these assets was £22,000 and £184,000 respectively.

13 Stocks

	At 16 th Sept 2005 £000
Raw materials and consumables	2,220
Work in progress	256
Finished goods and goods for resale	839
	3,315

Notes (continued)

14 Debtors

	At 16th Sept 2005 £000
Trade debtors	4,385
Amounts owed by group undertakings	376
Prepayments and accrued income	509
	<hr/> 5,270 <hr/>

15 Creditors: amounts falling due within one year

	At 16th Sept 2005 £000
Obligations under finance leases	709
Trade creditors	1,806
Amounts owed to group undertakings	4,985
Tax and Social Security	14
Other creditors	550
Accruals and deferred income	1,520
	<hr/> 9,584 <hr/>

16 Creditors: amounts falling due after more than one year

	At 16th Sept 2005 £000
Obligations under finance leases	3,196
Amounts owed to group undertakings	5,500
	<hr/> 8,696 <hr/>

Notes (continued)

The maturity of obligations under finance leases are:

	At 16 th Sept 2005 £000
Within one year	186
In the second to fifth years	-
Over five years	4,554
	<hr/> 4,740
Less future finance charges	(835)
	<hr/> 3,905 <hr/>

17 Provisions for liabilities and charges

The outstanding provision relates to restructuring announced and accounted for when the trade was part of Avecia limited in 2004. The provision at the end of the period covers the severance costs of staff who will leave the company by the end of 2005.

	£000
As of 18 th February 2005	-
Acquired at 1 st May 2005	3,103
Charge for the period	-
Utilised during period	(2,325)
	<hr/>
At 16 th September 2005	778 <hr/>

18 Called up share capital

	At 16 th Sept 2005 £000
<i>Authorised</i>	
Equity: 3000 Ordinary shares of £1.00 each	3,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 3000 Ordinary shares of £1.00 each	3,000
	<hr/>

Notes (continued)

19 Profit and loss account

	£000
As at 18 th February 2005	-
Arising in the period	1,332
	<hr/>
At 16 th September 2005	1,332
Pension Deficit	17,550
Profit & loss reserve excluding pension deficit	<hr/> 18,882 <hr/>

20 Contingent liabilities

Environmental matters

The business has contingent liabilities on its Grangemouth site and is subject to contingencies pursuant to laws and regulations which in the future may require it to take action to correct the effects on the environment of the prior disposal, release or escape of chemical substances.

An Environmental Deed of Covenant entered into by Avecia with companies in the AstraZeneca group, notably Zeneca Limited (as a principal seller of the business to the group) and AstraZeneca plc (as guarantor), on Avecia's acquisition of AstraZeneca's specialty chemicals operations, has been assigned to the business and provides certain indemnities to and by the AstraZeneca group for environmental liabilities and costs arising from events or circumstances existing prior to the acquisition. These include liabilities relating to or arising out of pre-acquisition contamination at sites which were transferred to group companies in 1999 but which have subsequently been disposed of. These also include historic liabilities arising on any sites previously owned by companies acquired by the group in the course of the acquisition transaction but where the sites in question were not themselves part of the acquisition transaction. The liability of the AstraZeneca group to indemnify KemFine in respect of these matters is, subject to certain exceptions, subject to maximum caps of liability, de minimis levels of liability, time limits for claims to be made and/or contributions by the business. Where time limits or caps on liability apply, on the expiry of the relevant time limit or if the environmental liabilities and costs exceed the relevant cap, the environmental liabilities and costs, or excess thereof, would be the responsibility of the business. In addition, certain environmental liabilities identified on the Northern and Northeast boundary of Grangemouth site are subject to legal agreement between the business and the Avecia Group.

While the outcome of some of these matters cannot be readily foreseen, the directors believe that any issues will be disposed of without material effect on the financial position as shown in these financial statements.

Notes (continued)

UK Pension Fund transfer of Protected Rights

Certain assets and liabilities in the Avecia Fine Chemicals Pension fund in respect of members protected rights could not be transferred to the KemFine UK Pension fund when the KemFine Group acquired the Avecia Fine Chemicals business from the Avecia Group. Changes to legislation in April 2006 have meant that a transfer of protected rights is now possible and certain requirements in the KemFine UK Pension Trust deed place an obligation on Kemfine to accept this transfer. It has emerged that an unforeseen deficit between the assets and liabilities represented by the protected rights exists because of the way in which the Trust Deed requires the pension benefits to be paid. A dispute exists between Avecia and KemFine about which company will fund this deficit under the terms agreed when the Avecia Fine Chemicals business was acquired by KemFine.

Whilst the settlement of this dispute is not yet agreed, the directors are confident that the matter will be resolved without material effect on the financial position as shown in these consolidated financial statements

Litigation and other claims

The business is subject to legal actions and claims by third parties. While the outcome of some of these matters cannot be foreseen with accuracy, the directors believe that they will be disposed of without material effect on the net asset position as shown in these financial statements.

21 Commitments

Capital commitments at the end of the period for which no provision has been made, are as follows:

	At 16 th Sept 2005
	£000
Contracted	408

22 Pension scheme

Avecia Limited created an independent pension fund for Avecia Fine Chemicals Limited in February 2005, transferring an appropriate share of the assets and liabilities in the Avecia Limited fund as of 1st May 2005, with an estimated pension deficit of £17,940,000 at that time

KemFine UK Limited participates in retirement plans which cover the majority of its employees. These plans are either defined contribution, where the level of company contribution is fixed at a set level or percentage of employees pay, or defined benefit, where benefits are based on employees' years of service and average final remunerations. In general all plans are funded through separate trustee-administered funds. The pension cost for the main defined benefit plans is established in accordance with the advice of independent qualified actuaries based on valuations undertaken on varying dates.

Notes (continued)

Major assumptions

	To 16 th Sept 2005
Rate of general increase in salaries	3.75%
Rate of increase to pensions in payment	2.69%
Discount rate for scheme liabilities	4.95%
Inflation	2.75%

The mortality assumption used in determining the company's expected pension liabilities is based on the standard actuarial tables PA92, projected forward to 2010 for current pensioners and 2020 for future pensioners. Based on these tables, life expectancies for future pensioners from age 60 are estimated as being 24.4 years for males and 27.4 years for females.

The assets in the schemes and the expected rate of return were :

	Long term rate of return expected 16 September 2005 % pa	Acquired on 1 May 2005 £000	Value as at 16 September 2005 £000
Equities	7.5	44,224	44,224
Government Bonds	4.3	7,014	7,014
Corporate Bonds	5.0	6,909	6,909
Other	5.0	593	593
		<hr/>	<hr/>
Market value of assets		58,740	58,740
Present value of scheme liabilities		(76,680)	(76,290)
		<hr/>	<hr/>
Deficit		(17,940)	(17,550)
		<hr/>	<hr/>

Analysis of the amounts charged to operating profit:

	To 16 th Sept 2005 £000
Current service cost	(830)
Past service cost	-
	<hr/>
	(830)
	<hr/>

Notes (continued)

Analysis of amount credited to other finance income:

	To 16 th Sept 2005 £000
Expected return on pension scheme assets	10
Interest on pension scheme liabilities	(10)
Net Return	<u>-</u>

Movement in deficit during the period:

	To 16 th Sept 2005 £000
Surplus/(Deficit) acquired	(17,940)
Current service cost	(830)
Past service cost	-
Company contributions	1,220
Actuarial gain/(loss)	-
Deficit at end of year	<u>(17,550)</u>

Analysis of the amount recognised in the statement of total recognised gains and losses:

	To 16 th Sept 2005 £000
Difference between the expected and actual return on scheme assets	-
Percentage of scheme assets	-
Experience gains and losses on scheme liabilities	-
Percentage of scheme liabilities	-
Changes in assumptions re value of liabilities	-
Percentage of scheme liabilities	-
Total amount recognised in statement of total recognised gains and losses	-
As a percentage of scheme liabilities	-

Notes (continued)

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of KemFine Group OY (which is incorporated in Finland), who acquired the business form Avecia Limited on 16th September (Prior to that date the business was a subsidiary undertaking of Avecia Limited, who's ultimate parent company was Avecia (Jersey) Limited, a company registered and incorporated in Jersey. The largest and smallest group in which the results of the company are consolidated is that headed by Avecia Holdings plc, which is incorporated in the United Kingdom).

24 Post balance sheet events

On 16th September Avecia Fine Chemicals Limited was sold to KemFine Group OY in Finland, changing its name to KemFine UK Limited at that date.

Following the business sale, an additional £11,500,000 of equity was introduced and used to reduced the Pension Deficit. A further amount of £4,142,000 was held in an Escrow account awaiting completion of formalities following sale, which was later also introduced as Equity and utilised to reduce the Pension deficit.