

**Tessenderlo Fine Chemicals Limited**

**Directors' report and financial  
statements**

Registered number 646784

31 December 2007

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## **Company Information**

### **Directors**

JM Groenen

BDG Stockhem

DL Van Deynse

AM Van Wallegghem

DJ Poynton (resigned on 30 June 2007)

JMA Vandendriessch (appointed on 1 July 2007)

### **Secretary**

AM Van Wallegghem

### **Auditors**

KPMG LLP

8 Princes Parade

Liverpool

L3 1QH

### **Registered office**

Macclesfield Road

Leek

Staffordshire

ST13 8UZ

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

### Principal activities

The principal activity of the company during the year was the processing of chemicals.

### Results and dividends

The profit and loss account and balance sheet, together with appropriate notes, are set out on pages 8 to 22. No interim dividends have been paid (2006: *£nil*) and the Directors do not propose a final dividend (2006: *£nil*).

### Business review

The business undertook a review of all its operations in late 2006 leading to a cost reduction and strategy change program called 'Target 2007'. This led to a reduction in overall sales volumes in 2007 as the company restricted supply of some lower margin products. However the company increased the sold volumes of its core products range with a continued focus on its portfolio of blue chip customers and manufacturing excellence.

The cost reductions proposed in Target 2007 have had an increasing impact on the business. Improved product efficiencies, reduced energy consumption and the phased redundancy program are delivering substantial savings for the business that will benefit the coming years. 2008 will see further cost reductions with the final phase of redundancies and some innovative technical projects to be implemented. Administrative expenses have increased in total from the prior year due to one-off expenses.

Increasing competition in the market place and some unprecedented price rises on key raw materials has continued to put pressure on margins. The business has had continued success in passing on raw material price rises to customers in 2007, however due to the long term contract nature of much of the business there has been a time lag between raw material increase and sales price increase.

For 2008 the principal risks to the business are any potential shortages of supply for key raw materials and foreign currency exchange risks.

The Company's key performance indicators are;

	2007	2006	2005
Volume (t's)	26,707	27,944	27,127
Turnover (£000's)	31,657	31,840	30,271
Av Sales Price	£1,185	£1,139	£1,116
Av People	85	94	94

### Research and development

The Company advanced its research and development activities primarily in the areas of process and product development. The costs of these activities during the year amounted to £224,527 (2006: £272,448).

## **Directors' report** *(continued)*

### **Directors**

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

JM Groenen

BDG Stockhem

DL Van Deynse

AM Van Wallegem

DJ Poynton (resigned on 30 June 2007)

JMA Vandendriessch (appointed on 1 July 2007)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### **Employment of disabled persons**

Where individuals become disabled whilst in the company's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose. In dealing with applications for employment and training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

### **Employee involvement**

A system of departmental and works consultative committees exists at the Leek site. Periodically, the company provides information regarding the financial and economic factors affecting its performance.

### **Donations**

Charitable donations of £nil were paid in the year (2006: £nil). No political donations were made in the year (2006: £nil).

### **Payment of suppliers**

The company has a general policy to pay suppliers in accordance with the contract terms agreed with them or, in the absence of such contract terms, in accordance with the company's own standard terms of trading, provided circumstances permit this and that the supplier is also complying with all relevant terms and conditions. Trade creditors at 31 December 2007 were equivalent to 46 days purchases (2006: 45 days).

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **Directors' report** *(continued)*

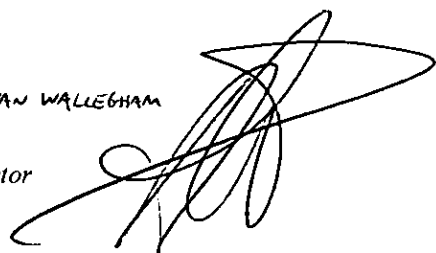
### **Auditors**

KPMG LLP were re-appointed as auditors during the year and in accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

AM VAN WALLEGHAN

Director

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## KPMG LLP

8 Princes Parade  
Liverpool  
L3 1QH  
United Kingdom

### **Independent auditors' report to the members of Tessenderlo Fine Chemicals Limited**

We have audited the financial statements of Tessenderlo Fine Chemicals Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, 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.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.



**Independent auditors' report to the members of Tessengerlo Fine Chemicals Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

*18<sup>th</sup> December 2008*

**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	2007 £000	2006 £000
<b>Turnover</b>	1	31,657	31,840
Cost of sales		(28,907)	(29,203)
		<hr/>	<hr/>
<b>Gross profit</b>		2,750	2,637
Administrative expenses		(2,116)	(1,492)
Selling and distribution expenses		(1,160)	(1,505)
		<hr/>	<hr/>
<b>Operating loss</b>	2	(526)	(360)
Other finance income	3	97	46
Interest payable and similar expense	4	(393)	(255)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(822)	(569)
Taxation on loss on ordinary activities	5	418	(118)
		<hr/>	<hr/>
<b>Loss for the financial year</b>	15	(404)	(687)
		<hr/> <hr/>	<hr/> <hr/>

All activities of the company are continuing.

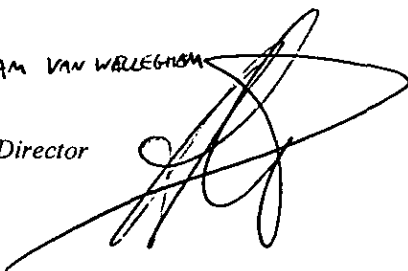
**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	2006 £000
<b>Fixed assets</b>			
Intangible assets	7	116	233
Tangible assets	8	10,783	12,142
		<hr/>	<hr/>
		10,899	12,375
<b>Current assets</b>			
Stocks	9	2,109	2,391
Debtors	10	6,594	5,835
Cash at bank and in hand		99	10
		<hr/>	<hr/>
		8,802	8,236
<b>Creditors: amounts falling due within one year</b>	11	<b>(6,864)</b>	<b>(6,303)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>1,938</b>	<b>1,933</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>12,837</b>	<b>14,308</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(4,000)</b>	<b>(5,000)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(112)</b>	<b>(110)</b>
		<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		<b>8,725</b>	<b>9,198</b>
Pension asset	18	-	207
		<hr/>	<hr/>
<b>Net assets including pension liability</b>		<b>8,725</b>	<b>9,405</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	14	9,799	9,799
Capital Redemption Reserve	15	1,087	1,087
Profit and loss account	15	(2,161)	(1,481)
		<hr/>	<hr/>
<b>Shareholders' funds</b>		<b>8,725</b>	<b>9,405</b>
		<hr/>	<hr/>

These financial statements were approved by the board of directors on **9 DECEMBER 2008** and were signed on its behalf by:

AM VAN WALLEGHEN

Director



**Statement of total recognised gains and losses**  
*for the year ended 31 December 2007*

	2007 £000	2006 £000
<b>Loss for the financial year</b>	<b>(404)</b>	<b>(687)</b>
Actuarial gain recognised in the pension scheme	719	855
Deferred tax on actuarial gain in pension scheme	(201)	(235)
De-recognition of pension asset (see note 18)	(794)	-
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year</b>	<b>(680)</b>	<b>(67)</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### ***Basis of preparation***

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

#### ***Foreign currencies***

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling at the exchange rates prevailing at the dates of those transactions.

Foreign currency assets and liabilities have been translated into sterling at the market rates at the balance sheet date. All translation differences are dealt with through the profit and loss account.

#### ***Goodwill***

The net assets of businesses acquired are incorporated in the financial statements at their fair values after making appropriate adjustments to reflect the alignment of accounting policies where the accounting policies of acquired businesses would otherwise be inconsistent with those of the Company. Goodwill on acquisition, being the excess of the fair value of consideration paid over the fair value of the net assets acquired, is capitalised in the balance sheet and amortised over its useful life, which is generally estimated to be 10 years. Goodwill balances are reviewed annually for impairment based on the net present value of expected future cash flows arising from the purchased trade and assets.

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at historical cost, less accumulated depreciation. Depreciation is calculated on a straight line basis so as to write-off the cost of the various assets over the period of their expected useful economic lives, as follows:

Freehold buildings	-	10 - 20 years
Plant and machinery, fixtures and fittings, and tools and equipment	-	5 - 15 years

No depreciation is provided on freehold land or capital work in progress.

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

#### ***Stock valuation***

Stocks are stated at the lower of cost and net realisable value. Overheads are absorbed into the cost of finished goods and work in progress based on product specific production costs.

#### ***Research and development***

Research and development expenditure is written off in the year in which it is incurred.

#### ***Operating leases***

Operating lease rentals are charged against profits as incurred over the lease term.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Post-retirement benefits*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

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.

On 31 December 2007, members were transferred into the scheme from three other group companies. The participating employers in the scheme are Tessenderlo Fine Chemicals Limited and PB Gelatins Limited. It was not possible for the company to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis from this date.

Therefore, no pension asset has been recognised at 31 December 2007 and the scheme will be accounted for on a defined contribution basis going forward in accordance with multi employer exemption FRS17.

#### *Cash flow statement*

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

**Notes (continued)**

**1 Accounting policies (continued)**

**Related party transactions**

As a wholly owned subsidiary, the company has taken advantage of the exemption afforded by Financial Reporting Standard 8 not to disclose related party transactions with other members of the Tessenderlo Chemie NV group. No director during the period has been materially interested in any contract with the company.

**Turnover**

Turnover represents amounts invoiced to third parties and other Tessenderlo group companies, net of value added tax, arising from the sale of chemicals and related products.

The operations of the company take place wholly in the United Kingdom and as such there are no overseas operations. All assets used by the company are held in the United Kingdom and therefore no disclosure is required in respect of segmental operations.

**2 Operating loss**

<i>Operating loss is stated after charging/(crediting) the following amounts:</i>	2007	2006
	£000	£000
Operating lease rentals – plant and machinery	109	111
Goodwill amortisation	117	116
Depreciation on owned assets	1,640	1,610
Auditors' remuneration		
- audit services	20	28
- other services relating to taxation	12	7
Research and development expenditure	225	272
Foreign exchange (gains)/losses	(126)	-
	<u>          </u>	<u>          </u>

**3 Other finance income**

	2007	2006
	£000	£000
Expected return on pension scheme assets	374	324
Interest on pension scheme liabilities	(277)	(278)
	<u>          </u>	<u>          </u>
	97	46
	<u>          </u>	<u>          </u>

**4 Interest payable**

	2007	2006
	£000	£000
Interest payable to group undertaking	320	360
Cost of forward contracts and currency options	43	88
Foreign exchange loss / (gain)	30	(193)
	<u>          </u>	<u>          </u>
	393	255
	<u>          </u>	<u>          </u>

Notes (continued)

5 Taxation on loss on ordinary activities

	2007 £000	2006 £000
<i>UK Corporation tax:</i>		
UK Corporation tax (credit)/charge on loss for the year	(654)	363
Adjustment in respect of prior years	16	(10)
	<hr/>	<hr/>
Total current tax	(638)	353
	<hr/>	<hr/>
<i>UK deferred tax:</i>		
Origination and reversal of timing differences	194	(235)
Effect of decrease in tax rate	6	-
Adjustment in respect of FRS17 pensions	20	-
	<hr/>	<hr/>
Total deferred tax (note 13)	220	(235)
	<hr/>	<hr/>
Tax (credit)/charge on loss on ordinary activities	(418)	118
	<hr/>	<hr/>

Tax credit represents amounts receivable from the company's parent Tessenderlo Holdings UK Limited in respect of current year tax losses surrendered within the group in the United Kingdom at the current tax rate of 30%.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2007 £000	2006 £000
Loss on ordinary activities before tax	(822)	(569)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(247)	(171)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	41	37
Depreciation in excess of capital allowances	(417)	483
Adjustment in respect of prior periods	16	(10)
Other timing differences	(31)	14
	<hr/>	<hr/>
Total current tax	(638)	353
	<hr/>	<hr/>



**Notes** *(continued)*

**6 Directors and employee information**

	2007 £000	2006 £000
<i>Staff costs</i>		
Wages and salaries	2,395	2,354
Social security costs	235	253
Other pension costs (note 18)	337	413
	<u>2,967</u>	<u>3,020</u>

The average monthly number of persons employed by the company during the year was:

	2007 Number	2006 Number
<i>By activity</i>		
Production	60	66
Selling and distribution	12	13
Administration	13	15
	<u>85</u>	<u>94</u>

Directors' emoluments in the year amounted to £399,000 (2006: £120,000). One director is a member of the company's defined benefit pension scheme (2006: one). Included in directors' emoluments is an amount of £275,000 relating to compensation for loss of office.

The emoluments of the highest paid director were £399,000 (2006: £120,000) and company contribution of £10,000 (2006: £9,000) were made to a defined benefit pension scheme on his behalf.

**7 Intangible fixed assets**

	Goodwill £000
<i>Cost:</i>	
At 1 January and 31 December 2007	1,167
<i>Amortisation</i>	
At 1 January 2006	934
Charge for the year	117
At 31 December 2007	<u>1,051</u>
Net book value at 31 December 2007	<u>116</u>
Net book value at 31 December 2006	<u>233</u>

**Notes (continued)**

**8 Tangible fixed assets**

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Capital work in progress £000	Total £000
<i>Cost</i>					
At beginning of year	1,184	17,310	2,308	148	20,950
Reclassifications	-	127	-	(127)	-
Additions	-	27	-	253	280
<b>At end of year</b>	<b>1,184</b>	<b>17,464</b>	<b>2,308</b>	<b>274</b>	<b>21,231</b>
<i>Depreciation</i>					
At beginning of year	152	6,758	1,898	-	8,808
Charge for the year	9	1,482	149	-	1,640
<b>At end of year</b>	<b>161</b>	<b>8,240</b>	<b>2,047</b>	<b>-</b>	<b>10,448</b>
<i>Net book value</i>					
At 31 December 2007	1,023	9,224	261	274	10,783
At 31 December 2006	1,032	10,552	410	148	12,142

Included within freehold land and buildings is land amounting to £500,000 (2004: £500,000) which is not depreciated.

**9 Stocks**

	2007 £000	2006 £000
Raw materials and consumables	764	713
Work in progress	227	205
Finished goods and goods for resale	1,118	1,473
<b>At end of year</b>	<b>2,109</b>	<b>2,391</b>

**10 Debtors**

	2007 £000	2006 £000
Trade debtors	5,755	4,924
Amounts owed by group undertakings	82	225
Prepayments and accrued income	73	152
Other taxation and social security	409	446
Deferred tax asset	-	88
Corporation tax recoverable	275	-
	<b>6,594</b>	<b>5,835</b>

Corporation tax recoverable represents amount receivable from the company's parent company in the United Kingdom for tax losses surrendered within the group in the United Kingdom at the current tax rate of 30%.

**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	2007 £000	2006 £000
Trade creditors	3,126	3,769
Amounts owed to group undertakings	3,338	1,739
Other taxation and social security	162	573
Other creditors and accruals	237	222
	6,864	6,303

**12 Creditors: amounts falling due after more than one year**

	2007 £000	2006 £000
Amounts owed to group undertakings	4,000	5,000
	4,000	5,000

*Analysis of debt:*

	2007 £000	2006 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	2,845	1,739
Between one and two years	1,000	1,000
Between two and five years	3,000	3,000
In five years or more	-	1,000
	6,845	6,739

**13 Provisions for liabilities**

	Deferred taxation £000	Restructuring provisions £000	Total £000
At the beginning of year	(88)	110	22
Utilised during the year	-	(110)	(110)
Charge to the profit and loss for the year	200	-	200
	112	-	112

Restructuring provision relates to redundancy payments paid in 2007.



**Notes (continued)**

**16 Capital commitments**

	2007 £000	2006 £000
Contracts placed for future capital expenditure not provided in the financial statements	-	4

**17 Operating leases – plant and machinery**

	2007 £000	2006 £000
Annual commitments payable under non-cancellable operating leases expiring:		
Within one year	6	35
Between one and five years	210	177
	<u>216</u>	<u>212</u>

**18 Pension arrangements**

The Company operates a pension scheme providing benefits based on final pensionable pay.

On 31 December 2007, members were transferred into the scheme from three other group companies. The participating employers in the scheme following the transfer are Tessenderlo Fine Chemicals Limited and PB Gelatins Limited. It was not possible for the company to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis from this date. Therefore, no pension asset has been recognised at 31 December 2007 under the multi-employer exemptions included within FRS 17 "Retirement benefits".

At 31 December 2007, the scheme had a total gross surplus of £5,052,000. The company will continue to contribute to the scheme at the agreed rate.

Contributions paid for the year and accounted on a defined contribution basis in respect of its employees participating in the scheme was £nil (2006: £nil) as the changes to the scheme were made on 31 December 2007. It has been agreed that the employer contribution rate will be 5.0% of scheme earnings (salary received from the employer excluding bonuses less an amount determined by the trustees based on the rate of the Basic State Pension and other factors deemed appropriate).

Contributions amounting to £nil (2006: £nil) were payable to the scheme.

Up to 31 December 2007 the company had accounted for the pension scheme as a defined benefit scheme under FRS 17. The relevant disclosure requirements under FRS 17 up until the time of transfer are set out below. The latest full actuarial valuation was carried out at 1 January 2006 and was updated for FRS 17 purposes to 31 December 2006 and 31 December 2007 by a qualified independent actuary.

**Notes (continued)**

**18 Pension arrangements (continued)**

The major assumptions used in this valuation were:

	At 31 December 2007 (p.a.)	At 31 December 2006 (p.a.)	At 31 December 2005 (p.a.)
Rate of increase in salaries	3.68%	3.50%	3.65%
Rate of increase in pensions in payment	3.03%	3.00%	2.50%
Discount rate	5.88%	5.16%	4.90%
Inflation assumption	3.18%	3.00%	2.65%
Investment return	6.95%	6.82%	6.73%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

*Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	31 December 2007		31 December 2006		31 December 2005	
	Long term expected rate of return (p.a.)	Market value £000	Long term expected rate of return (p.a.)	Market value £000	Long term expected rate of return (p.a.)	Market value £000
Equities	-	-	7.36%	4,408	7.10%	3,967
Bonds	-	-	5.16%	954	4.9%	487
Other - cash	-	-	4.50%	180	4.5%	117
		-----		-----		-----
Total market value of scheme assets		-		5,542		4,571
Present value of scheme liabilities		-		(5,247)		(5,156)
		-----		-----		-----
Surplus/(Deficit) in the scheme		-		295		(585)
Deferred tax (liability) /asset		-		(88)		147
		-----		-----		-----
		-		207		(438)
		=====		=====		=====

The deferred tax asset at 31 December 2005 was not fully recognised as the excess over accelerated capital allowances was not considered recoverable (see note 13). See below for the surplus in the scheme as at 31 December 2007.

**Notes** *(continued)*

**18 Pension arrangements** *(continued)*

Analysis of other pension costs charged in arriving at operating loss:

	2007 £000	2006 £000
<i>Operating loss:</i>		
Current service cost	337	413
Past service costs	-	-
Total operating charge	<u>337</u>	<u>413</u>
<i>Other finance income:</i>		
Interest cost on pension scheme liabilities	(277)	(278)
Expected return on pension scheme assets	374	324
Net income	<u>97</u>	<u>46</u>
<i>Analysis of amount recognised in Statement of Total Recognised Gains and Losses:</i>		
	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	211	160
Experience gains and losses arising on the scheme liabilities	(276)	142
Changes in assumptions underlying the present value of the scheme	784	553
De-recognition of pension asset due to accounting treatment of the scheme post-transfer	(794)	-
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	<u>(75)</u>	<u>855</u>

**Notes (continued)**

**18 Pension arrangements (continued)**

<i>History of experience gains and losses:</i>	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
Amount (£000)	211	160	577	49	188
Percentage of scheme assets at end of year	n/a	2.9%	12.6%	1.5%	7.5%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(276)	142	(262)	(41)	28
Percentage of scheme liabilities at end of year	n/a	(2.9%)	5.1%	1.0%	-
Total amount recognised in Statement of Total Recognised Gains and Losses					
Amount (£000)	719	855	307	(135)	(278)
Percentage of scheme liabilities at end of year	n/a	16.3%	6.0%	(3.3%)	(8.5%)

	2007	2006
	£000	£000
<i>Movement in deficit during the year ended 31 December 2007:</i>		
Surplus/ (Deficit) in scheme at 1 January 2007	295	(585)
Movement in year:		
Current service cost	(337)	(413)
Contributions	329	392
Other financial income	97	46
Actuarial gain	719	855
Surplus in scheme at 31 December 2007	<u>1,103</u>	<u>295</u>
Related deferred tax liability	(309)	(88)
De-recognition of pension asset due to accounting treatment of the scheme post-transfer	(794)	-
Net surplus recognised	<u><u>-</u></u>	<u><u>207</u></u>

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

The immediate parent undertaking and controlling party is Tessenderlo Holding UK Limited, a company registered in England and Wales which in turn is a wholly owned subsidiary undertaking of the ultimate parent company and controlling party, Tessenderlo Chemie NV, which is incorporated in Belgium. Copies of the Tessenderlo Chemie NV consolidated accounts may be obtained from the registered office, Rue du Trone 130, B-1050 Brussels.