

Registered number: 00162303

CRISTAL PIGMENT UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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CRISTAL PIGMENT UK LIMITED

COMPANY INFORMATION

DIRECTORS

S A Box
L J Simmonds
R McIntyre
J S Scott (appointed 4 October 2013)
C J Simpson
P C Long (resigned 15 August 2013)
S Morten (appointed 30 May 2013)
K F L Docx
J G Furling
M Wood (resigned 21 October 2013)

COMPANY SECRETARY

J G Furling

REGISTERED NUMBER

00162303

REGISTERED OFFICE

Laporte Road
Stallingborough
Grimsby
DN40 2PR

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
United Kingdom

CRISTAL PIGMENT UK LIMITED

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CRISTAL PIGMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £3,337,000 (2012 - loss £8,357,000)

The directors do not recommend the payment of a dividend

DIRECTORS

The directors who served during the year and subsequently were

S A Box
L J Simmonds
R McIntyre
J S Scott (appointed 4 October 2013)
C J Simpson
P C Long (resigned 15 August 2013)
S Morten (appointed 30 May 2013)
K F L Docx
J G Furling
M Wood (resigned 21 October 2013)

No director has any interest in the company's shares, share options or in the shares of any other group company

EVENTS SINCE THE END OF THE YEAR

On 18 March 2014 all the charges over the Company's assets as detailed in the Contingent Liabilities note were fully satisfied

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company provides contract research and development services to fellow group subsidiaries. The group continues with research and development of its existing product range of titanium dioxide and the optimisation of the manufacturing process.

EMPLOYEE INVOLVEMENT

The company aims to offer a wide range of experience to employees. It offers competitive rates of pay and is committed to ongoing training and development. The directors recognise the value of keeping employees informed of business developments and business performance.

DISABLED EMPLOYEES

The company is committed to a policy of equal opportunity. It gives full and fair consideration to employing disabled people, having regard to their qualifications and abilities.

If an employee becomes disabled while employed by the company, they will continue, wherever possible, to be employed in the same job. If this action is not practicable or possible then every effort will be made to find suitable alternative employment.

CRISTAL PIGMENT UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

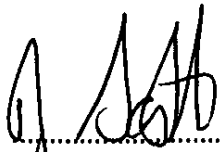
- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf


.....
J S Scott
Director

Date 27 March 2014

CRISTAL PIGMENT UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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

CRISTAL PIGMENT UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS REVIEW

Demand from titanium dioxide consumers increased in 2013 compared to 2012 although was still less than historical averages. The production volume at the Company's only plant located in Stallingborough increased accordingly but demand levels did still allow for an extended plant shutdown in March. This shutdown enabled the Company to invest heavily in proactive plant maintenance aimed at continually improving plant production reliability and regulatory compliance. The shutdown also marked the culmination of a £6.5 million strategic utility project which was connected to the plant during the outage allowing significant cost savings to commence.

Turnover for the year increased by 14% with additional sales income from increased sales volumes being partially offset by a reduction in sales price per unit. The return to an operating profit reflects the Company's first full year as a contract manufacturer. A significant proportion of sales continue to be of imported products which continues to reduce the average operating profit margin percentage.

Net interest payable increased by 34% as the Company increased intercompany debt to fund increased average stock levels and other working capital requirements. Foreign exchange revaluations on the Company's intercompany loans experienced a swing of £12.8 million compared to 2012 with an aggregate loss in the year of £5.2 million (2012 gain of £7.6 million). This is attributable to the increasing net debt, the mix of loan currencies and also the underlying foreign exchange rate movements both during the year and at each year end. These movements, along with the £20.4 million swing in operating profit from an operating loss in 2012, caused the loss before tax to reduce by £6.7 million to a loss of £2.3 million.

The increase in net current assets is mainly attributable to the differing maturities of intercompany debt and the increase in trading amounts owed by group undertakings. Net intercompany loans have increased by £47.5 million as cash has been required to fund working capital demands. Finished goods stocks increased by a further 20% as favourably priced raw materials were converted into finished product to ensure better supply continuity and production flexibility in the future.

An increase in shareholders' funds of 2.3% reflects the years retained loss being more than offset by an actuarial gain relating to the defined benefit pension scheme and a net foreign exchange gain on equity investment net of foreign exchange loss on foreign currency borrowing.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, foreign exchange risk and interest rate risk.

Cristal Inorganic Chemicals Limited, a company registered in the Cayman Islands and one of the Company's parent undertakings, manages various financial risks on behalf of the group and as such none of these risks are managed at the individual company level.

The key risks relating to the company and the underlying businesses of its investments are set out below. The Company operates under a Contract Manufacturing Agreement and is therefore protected from many of these risks which in practice now only exist in some of the underlying businesses of its investments.

Price risk

The Company is exposed to commodity price risk as a result of its operations. The Company along with fellow subsidiaries in the Cristal Inorganic Chemicals Limited Group, namely Cristal USA Inc and Cristal Inorganic Chemicals Schweiz AG, selectively use commodity swap, option and futures contracts with various terms to manage the volatility related to the purchase of utilities and raw materials to manage the risks on a group wide basis. The Company is protected from price risk under the Contract Manufacturing Agreement it operates under.

Credit risk

The Company only has exposure to the credit risk of fellow group subsidiaries.

CRISTAL PIGMENT UK LIMITED

STRATEGIC REPORT (continued)

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Cristal USA Inc, a fellow subsidiary in the Cristal Inorganic Chemicals Limited Group selectively uses derivative instruments to manage the ratio of fixed-to-variable-rate debt on a group wide basis.

Foreign exchange risk

The Company's subsidiaries market their products in a number of countries throughout the world and, as a result are exposed to changes in foreign exchange rates. Cristal USA Inc and Cristal Inorganic Chemicals Schweiz AG, fellow subsidiaries in the Cristal Inorganic Chemicals Limited Group selectively utilise forward, swap and option derivative contracts to protect against the adverse effect that currency exchange rate fluctuations may have on foreign currency receivables and payables on a group wide and individual entity basis.

Operational risk

The cost of raw materials and utilities as well as the reliability of their supply, the reliability of owned manufacturing plants and compliance to regulatory requirements may result in increased expenses or reduced results for the Company's or subsidiaries' operations. As a result the Company and its investments may not yield the expected benefits. The Company is protected from some operational risks under the Contract Manufacturing Agreement it operates under.

Market risk

External factors beyond the Company's control can cause fluctuations in demand for the Company's and subsidiaries' products and in their prices and margins, which may result in lower operating results. Examples include supply and demand of raw materials and utilities, changes in end user customer buying patterns and demand, general economic conditions, domestic and international events and circumstances, competitor actions, government regulation, severe weather and natural disasters. The Company is protected from some market risks under the Contract Manufacturing Agreement it operates under.

Regulatory risk

The Company and subsidiaries' operations and assets are subject to extensive environmental, health and safety and other laws and regulations, which could result in material costs or liabilities. These risks are mitigated by the Company's commitment to these areas, evidenced by the resources it makes available to ensure that safety remains an overriding value for all employees.

Liquidity risk

The Company is reliant on the availability of intercompany debt. As described below, the directors take various measures to ensure that they have a reasonable and proper expectation that the required intercompany debt continues to be available.

KEY PERFORMANCE INDICATORS (KPI)

The company operates in a highly complex environment and management use and review many performance measures. Particular attention is given to the company's number one priority which is its Safety, Health and Environmental performance.

KPI description	2013	2012	KPI background
Employee Lost Working Day Incidents (ELWDI)	1	-	The ELWDI relates to a slip. A full root cause analysis was performed by the company.
Turnover growth	14.3 %	(34.2) %	The main driver was an increase in sales volume.
Operating profit margin	4.4 %	(5.4) %	The increase and move back to a profit reflects the Company's first full year as a contract manufacturer.
Headcount increase	4.7 %	13.4 %	The company continues to recruit in an attempt to provide the people resource required to meet the company's objectives. The increase in staff also reflects an acknowledgement of the critical role staff have in the success of the company.

CRISTAL PIGMENT UK LIMITED

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The directors anticipate that end user demand for its products will continue to increase during 2014. With high finished goods stocks at the year end, production in 2014 will be matched to end user demand. The Company is forecasting continuing operating profits with the associated cash generated after pension contributions and capital expenditure being used to repay debt.

The key to maximising long term business profitability continues to be controlling manufacturing costs, maximising production and most importantly operating to the highest standards of Safety, Health and Environmental practice.

The Company also continues to be committed to investing in the reliability of the plant through maintenance and capital expenditure whilst also seeking continuous improvement in usage rates of raw materials and utilities with the aim of minimising the production cost per tonne of finished product.

GOING CONCERN

These financial statements have been prepared on the going concern basis. Funding is provided to the Company through intercompany loan movements. This intercompany debt is financed by profits generated by fellow group subsidiaries and external borrowings in the USA and Saudi Arabia. Whilst future trading performance and the availability of external borrowings within the group is inherently subject to uncertainty, the directors, having received written assurances of support from fellow group companies and assessed the ability of these companies to provide this support, have a reasonable and proper expectation that the Company will continue to have adequate resources and that intercompany funds will continue to be available for the foreseeable future. Accordingly the going concern basis has been adopted in these financial statements.

This report was approved by the board on 27 March 2014 and signed on its behalf

.....
J S Scott
Director

CRISTAL PIGMENT UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRISTAL PIGMENT UK LIMITED

We have audited the financial statements of Cristal Pigment UK Limited for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CRISTAL PIGMENT UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRISTAL PIGMENT UK LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of
Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
United Kingdom

28 March 2014

CRISTAL PIGMENT UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	1,2	224,018	195,909
Cost of sales		<u>(203,127)</u>	<u>(194,174)</u>
GROSS PROFIT		20,891	1,735
Distribution costs		(1,788)	(2,072)
Administrative expenses		<u>(9,223)</u>	<u>(10,180)</u>
OPERATING PROFIT/(LOSS)	3	9,880	(10,517)
Income from shares in group undertakings		-	529
Foreign exchange (losses)/gains on loan notes due to and from fellow group undertakings		(5,241)	7,571
Profit on disposal of investments		1,217	-
Interest receivable and similar income	7	5,875	11,236
Interest payable and similar charges	8	(13,932)	(17,253)
Other finance income/(expense)	9	<u>(103)</u>	<u>(534)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,304)	(8,968)
Tax on loss on ordinary activities	10	<u>(1,033)</u>	611
LOSS FOR THE FINANCIAL YEAR	22	<u>(3,337)</u>	<u>(8,357)</u>

All amounts relate to continuing operations

The notes on pages 13 to 34 form part of these financial statements

CRISTAL PIGMENT UK LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
LOSS FOR THE FINANCIAL YEAR		(3,337)	(8,357)
Actuanal gain/(loss) related to pension scheme	26	3,666	(4,062)
Deferred tax attributable to actuarial gain/(loss)	26	(971)	788
Other movements in profit and loss reserve		4,536	(4,227)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		3,894	(15,858)

The notes on pages 13 to 34 form part of these financial statements

Other movements in profit and loss reserve comprises

	2013 £000	2012 £000
Foreign exchange gain / (loss) on foreign currency equity investments	5,284	(4,560)
Foreign exchange (loss) / gain on related foreign currency borrowings	(748)	333
	4,536	(4,227)

The notes on pages 13 to 34 form part of these financial statements

CRISTAL PIGMENT UK LIMITED
REGISTERED NUMBER: 00162303

BALANCE SHEET
AS AT 31 DECEMBER 2013

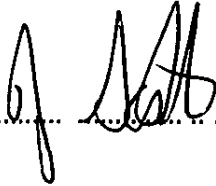
	Note	£000	2013 £000	£000	2012 £000
FIXED ASSETS					
Intangible assets	11		2,924		2,508
Tangible assets	12		68,792		72,032
Investments	13		252,948		248,287
			<u>324,664</u>		<u>322,827</u>
CURRENT ASSETS					
Stocks	14	107,161		97,490	
Debtors amounts falling due after more than one year	15	103,530		115,280	
Debtors amounts falling due within one year	15	86,350		39,367	
Cash at bank		2,166		5,766	
		<u>299,207</u>		<u>257,903</u>	
CREDITORS: amounts falling due within one year	16	<u>(144,167)</u>		<u>(277,628)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>155,040</u>		<u>(19,725)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>479,704</u>		<u>303,102</u>
CREDITORS: amounts falling due after more than one year	17		<u>(300,776)</u>		<u>(121,854)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	19	(3,952)		(3,686)	
Other provisions	20	<u>(1,660)</u>		<u>(2,327)</u>	
			<u>(5,612)</u>		<u>(6,013)</u>
NET ASSETS EXCLUDING NET PENSION SCHEME LIABILITY			<u>173,316</u>		<u>175,235</u>
Net defined benefit pension scheme liability	26		<u>(285)</u>		<u>(6,098)</u>
NET ASSETS INCLUDING NET PENSION SCHEME LIABILITY			<u><u>173,031</u></u>		<u><u>169,137</u></u>
CAPITAL AND RESERVES					
Called up share capital	21		12,475		12,475
Share premium account	22		114,435		114,435
Capital contribution reserve	22		84,873		84,873
Profit and loss account	22		<u>(38,752)</u>		<u>(42,646)</u>
SHAREHOLDERS' FUNDS	23		<u><u>173,031</u></u>		<u><u>169,137</u></u>

CRISTAL PIGMENT UK LIMITED

**BALANCE SHEET (continued)
AS AT 31 DECEMBER 2013**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
J S Scott
Director



Date 27 March 2014

The notes on pages 13 to 34 form part of these financial statements

CRISTAL PIGMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Going concern

These financial statements have been prepared on the going concern basis. Funding is provided to the Company through intercompany loan movements. This intercompany debt is financed by profits generated by fellow group subsidiaries and external borrowings in the USA and Saudi Arabia. Whilst future trading performance and the availability of external borrowings within the group is inherently subject to uncertainty, the directors, having received written assurances of support from fellow group companies and assessed the ability of these companies to provide this support, have a reasonable and proper expectation that the Company will continue to have adequate resources and that intercompany funds will continue to be available for the foreseeable future. Accordingly, the going concern basis has been adopted in these financial statements.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover recognition

Income is recognised when transfer of risks and rewards of the goods takes place and comprises the invoice value of goods supplied by the company during the year, excluding value added tax.

1.5 Intangible fixed assets and amortisation

At each reporting date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use.

Licences are not amortised. It is the directors' opinion that without these licences the company cannot sell its products and as such the licences have an indefinite life.

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	20 to 40 years
Plant & machinery	-	5 to 50 years
Motor vehicles	-	3 to 5 years
Fixtures & fittings	-	5 to 10 years

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

CRISTAL PIGMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.10 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax assets and liabilities are not discounted

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and Loss Account, except that, where foreign currency borrowings have been used to finance equity investments in foreign currencies, exchange differences arising on the borrowings are dealt with through reserves to the extent that they are covered by exchange differences arising on the equity investments

1.12 Research and development

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

1.13 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred

CRISTAL PIGMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.14 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2012

This has been rolled forward to 31 December 2013 by a qualified actuary

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

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

1.15 Fixed asset impairment

Fixed asset impairment is assessed by comparing the fixed asset carrying value to the higher of market value and the net present value of future cash flows derived from those assets using a projection period of five years, the period for which the company prepares detailed plans, for each income generation unit. After the projection period, a terminal year calculation is included. The discount factor used is based upon the group's average weighted cost of capital.

1.16 Interest

Interest is recognised in the profit and loss account on an accruals basis.

1.17 Environmental provision

Environmental provisions are recognised where there is an obligation resulting from past activities related to investigation, remediation and monitoring of contaminated sites where the amount of the liability can be reasonably estimated. Environmental provisions are not discounted unless the impact of doing so would be material.

2. SEGMENTAL REPORTING

Turnover derives from one class of business, being contract services relating to the production and sale of the chemical titanium dioxide. These are supplied predominantly to the European geographical market.

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting)

	2013 £000	2012 £000
Depreciation of tangible fixed assets		
- owned by the company	13,386	13,311
Operating lease rentals		
- plant and machinery	797	1,032
Difference on foreign exchange	(187)	(1,803)
Research and development expenditure written off	432	(53)
Loss on disposal of fixed assets	1,336	669
	<u> </u>	<u> </u>

4. AUDITOR'S REMUNERATION

	2013 £000	2012 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	209	234
Fees payable to the company's auditor and its associates in respect of		
Taxation compliance services	16	24
All taxation advisory services not included above	38	31
	<u> </u>	<u> </u>

The company has incurred approximately £4,000 of audit costs on behalf of fellow group undertakings (2012 £4,000)

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2013	2012
	£000	£000
Wages and salaries	23,155	22,008
Social security costs	3,230	3,131
Other pension costs (Note 26)	1,987	1,944
	28,372	27,083

The average monthly number of employees, including the directors, during the year was as follows

	2013	2012
	No.	No
Process/engineering	343	328
Administration	127	121
	470	449

6. DIRECTORS' REMUNERATION

	2013	2012
	£000	£000
Remuneration	959	581
Company pension contributions to defined contribution pension schemes	152	165

During the year retirement benefits were accruing to 7 directors (2012 - 7) in respect of defined contribution pension schemes

The highest paid director received remuneration of £197,000 (2012 - £151,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21,000 (2012 - £55,000)

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. INTEREST RECEIVABLE

	2013	2012
	£000	£000
Interest receivable from group companies	5,746	11,034
Other interest receivable	7	3
Foreign branches translation gain	122	199
	5,875	11,236

8. INTEREST PAYABLE

	2013	2012
	£000	£000
On bank loans and overdrafts	-	25
Accretion of discount on loan notes due to fellow group undertakings	1,050	1,024
Interest on interest bearing loan notes due to fellow group undertakings	12,882	16,203
Other interest payable	-	1
	13,932	17,253

9. OTHER FINANCE INCOME / (EXPENSE)

	2013	2012
	£000	£000
Expected return on pension scheme assets	4,463	4,111
Interest on pension scheme liabilities	(4,566)	(4,645)
	(103)	(534)

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. TAXATION

	2013 £000	2012 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
Foreign tax on income for the year	(12)	437
Deferred tax		
Origination and reversal of timing differences	669	(1,299)
Adjustment in respect of change in tax rate	(492)	(434)
Pension cost relief in excess of pension cost charge	779	798
Adjustment in respect of prior year deferred tax	89	(113)
Total deferred tax (see note 19)	1,045	(1,048)
Tax on loss on ordinary activities	1,033	(611)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below

	2013 £000	2012 £000
Loss on ordinary activities before tax	(2,304)	(8,968)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	(536)	(2,197)
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	37	4
Capital allowances for year in excess of depreciation	772	686
Utilisation of tax losses	(2,047)	(15)
Other timing differences leading to an increase (decrease) in taxation	(906)	(847)
Dividends not taxable	-	(129)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(160)	(169)
Unrelieved tax losses carried forward	183	3,086
Group relief	2,155	1,998
Overseas tax	(12)	437
Undeducted loan interest	526	(2,392)
Tax deductible amortisation of intangible assets	(24)	(25)
Current tax (credit)/charge for the year (see note above)	(12)	437

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10 TAXATION (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

11. INTANGIBLE FIXED ASSETS

	Licences £000
Cost	
At 1 January 2013	2,508
Additions including transfers between classes	426
At 31 December 2013	2,934
Amortisation	
Charge for the year	10
At 31 December 2013	10
Net book value	
At 31 December 2013	2,924
At 31 December 2012	2,508

There has been a transfer from assets under construction to intangible assets of £371,000 during the year

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant & machinery £000	Assets under construction £000	Total £000
Cost				
At 1 January 2013	22,817	205,217	13,002	241,036
Additions	-	2,470	9,382	11,852
Disposals	-	(3,704)	(1,273)	(4,977)
Transfer between classes	-	10,157	(10,528)	(371)
Foreign exchange movement	-	1	-	1
At 31 December 2013	22,817	214,141	10,583	247,541
Depreciation				
At 1 January 2013	10,064	158,940	-	169,004
Charge for the year	757	12,629	-	13,386
On disposals	-	(3,642)	-	(3,642)
Foreign exchange movement	-	1	-	1
At 31 December 2013	10,821	167,928	-	178,749
Net book value				
At 31 December 2013	11,996	46,213	10,583	68,792
At 31 December 2012	12,753	46,277	13,002	72,032

There has been a transfer from assets under construction to intangible assets of £371,000 during the year

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2013	250,110
Disposals	(623)
Foreign exchange movement	5,284
At 31 December 2013	254,771
Impairment	
At 1 January 2013 and 31 December 2013	1,823
Net book value	
At 31 December 2013	252,948
At 31 December 2012	248,287

CRISTAL PIGMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Millennium Inorganic Chemicals SAS	Ordinary	100%
Cristal Korea Limited	Ordinary	100%
Cristal Europe BVBA	Ordinary	100%
Millennium Inorganic Chemicals Lincolnshire Limited	Ordinary	100%
Cristal Italy SRL	Ordinary	95%

Name	Business	Country of registration
Millennium Inorganic Chemicals SAS	Holding and property investment company	France
Cristal Korea Limited	Sales office	Korea
Cristal Europe BVBA	Provision of warehousing and transport services	Belgium
Millennium Inorganic Chemicals Lincolnshire Limited	Investment company	England
Cristal Italy SRL	Sales office	Italy

The company indirectly owns 99% of the ordinary share capital and voting rights (35% of the total share capital) of Cristal Pigmentos do Brazil SA, a company incorporated in Brazil, whose principal activity is the manufacture of titanium dioxide and speciality chemicals. Cristal Pigmentos do Brazil SA in turn owns 99% of the share capital of Millennium Inorganic Chemicals Mineracao Ltda, a company incorporated in Brazil, whose principal activity is mining for ore.

The company indirectly owns 100% of the ordinary share capital and voting rights of Cristal France SAS, a company incorporated in France, whose principal activity is the manufacture of titanium dioxide and speciality chemicals.

During the year the directors carried out a review of the carrying value of the investments and no additional impairment charge has been made.

The value in use is generally calculated as the estimated discounted future net cash flows of the underlying businesses of Cristal Pigment UK Limited and its subsidiaries. Where subsidiaries shares are traded on a public stock exchange the value in use is calculated as the higher of market value as quoted on the public stock exchange and the estimated discounted future net cash flows for the underlying business. Where forecast cash flows are used they are based on current approved budgets and forecasts of the Cristal Inorganic Chemicals Limited Group.

The principal assumptions used in calculating the estimated discounted future net cash flows are the discount rates applied to each of the underlying businesses. The post tax discount rate is 8.27% which, in the opinion of the directors, reflects the risk inherent in those cash flows.

In the opinion of the directors the value of the investment in the subsidiary undertaking is not less than the aggregate amount at which it is stated in the balance sheet.

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

14. STOCKS

	2013 £000	2012 £000
Raw materials and consumables	35,981	38,168
Work in progress	3,612	2,262
Finished goods and goods for resale	58,650	48,699
Engineering stores	8,918	8,361
	<u>107,161</u>	<u>97,490</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

15. DEBTORS

	2013 £000	2012 £000
Due after more than one year		
Amounts owed by group undertakings	<u>103,530</u>	<u>115,280</u>
	2013 £000	2012 £000
Due within one year		
Trade debtors	10	71
Amounts owed by group undertakings	84,606	36,555
Other debtors	1,088	2,226
Prepayments and accrued income	646	515
	<u>86,350</u>	<u>39,367</u>

Amounts due from fellow subsidiary undertakings falling due after more than one year include loan notes. Rolled up interest is included in these loan notes and they are unsecured. The loan notes are as follows:

Denomination	Terms	Repayable	2013 £000	2012 £000
USD	US LIBOR (3 months) + 3%	30 December 2014	6,667	-
Euro	EURIBOR (3 months) + 5%	31 July 2015	-	19,394
Euro	5 years Euro SWAP (12 months) + 4 4%	14 December 2016	103,529	95,886
			<u>110,196</u>	<u>115,280</u>

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

16. CREDITORS:

Amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	41,274	34,038
Amounts owed to group undertakings	97,674	237,358
Corporation tax	1,112	85
Other taxation and social security	151	136
Accruals and deferred income	3,956	6,011
	<u>144,167</u>	<u>277,628</u>

17. CREDITORS:

Amounts falling due after more than one year

	2013	2012
	£000	£000
Amounts owed to group undertakings	<u>300,776</u>	<u>121,854</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2013	2012
	£000	£000
Repayable other than by instalments	<u>183,434</u>	<u>10,780</u>

18. LOANS AND OTHER BORROWINGS

	2013	2012
	£000	£000
Unsecured loans from fellow subsidiary undertakings		
Repayable in under one year or on demand	93,699	230,250
Repayable between one and two years	1,759	95,207
Repayable between two and five years	115,583	15,867
Repayable in over five years	183,434	10,780
	<u>394,475</u>	<u>352,104</u>

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

LOANS AND OTHER BORROWINGS (continued)

Rolled up interest is included in the above loan notes balance for the non discounted notes and for the discounted note the accretion of the discount is included within interest payable. The loan notes are as follows

Denomination	Terms	Repayable	2013 £000	2012 £000
US Dollar	US LIBOR (3 months) + 3.0%	30 April 2018	10,482	175,436
US Dollar	Discounted note with imputed rate of 3.765%	15 February 2015	1,759	1,731
US Dollar	Discounted note with imputed rate of 4.67%	30 May 2014	11,627	11,337
US Dollar	Discounted note with imputed rate of 5.52%	27 June 2014	7,485	7,236
Sterling	BBA LIBOR + 2%	31 December 2016	10,201	9,902
US Dollar	US LIBOR (3 months) + 3.0%	14 December 2018	46,094	45,555
GBP	GBP LIBOR (3 months) + 4%	28 February 2018	11,282	10,780
Euro	EURIBOR (3 months) + 2.5%	29 December 2014	11,811	11,242
Euro	Fixed rate at 7.5%	29 December 2014	30,747	30,078
Euro	EURIBOR + 1%	29 December 2014	14,474	11,710
Sterling	BBA LIBOR + 4%	30 July 2014	17,555	23,603
Euro	Annual Euro SWAP (5 year) + 3.5%	28 October 2017	37,524	4,234
US Dollar	US LIBOR (3 months) + 3%	10 March 2013	-	9,260
GBP	GBP LIBOR (3 month) + 2.4%	16 May 2023	183,434	-
			394,475	352,104

19. DEFERRED TAXATION

Deferred tax balances for the current and prior year are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. As such deferred tax balances have been recognised at 20% (2012: 23%)

	2013 £000	2012 £000
At beginning of year	3,686	5,532
Charge/(credit) for year	266	(1,846)
At end of year	3,952	3,686

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

19. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows

	2013 £000	2012 £000
Accelerated capital allowances	4,607	6,082
Tax losses carried forward	(358)	(2,921)
Undeducted loan interest	(312)	530
Short term timing differences	(27)	(30)
Accelerated amortisation	42	25
	<u>3,952</u>	<u>3,686</u>

A deferred tax asset of £3,433,000 relating to non trading losses was not provided for at the year end (2012 £3,766,000) because in the opinion of the directors there will be no suitable taxable profits available in the foreseeable future

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly, deferred tax balances have been measured at 20%.

20. PROVISIONS

	Environmental provision £000	Other provisions £000	Total £000
At 1 January 2013	190	2,137	2,327
Additions	-	56	56
Amounts used	(82)	(550)	(632)
Amounts reversed	(3)	(88)	(91)
At 31 December 2013	<u>105</u>	<u>1,555</u>	<u>1,660</u>

Environmental provision

The environmental provision was created to cover the cost of capping the landfill site and the subsequent maintenance and monitoring costs necessary to comply with legislation. The capping was completed in 2012. It is estimated that all required monitoring will have been completed and a certificate of completion issued by 2018 when the provision will have reversed out in full. The provision is based upon management's estimate of when the certificate of completion will be issued and their estimate of what maintenance and monitoring costs will be incurred up until this date.

Other provisions

Other provisions cover the directors' expected costs of settling ongoing claims made against the company. The directors consider it probable that the claims will be successful and settled between one and three years.

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

21. SHARE CAPITAL

	2013 £000	2012 £000
Authorised		
13,538,443 Ordinary shares of £1 each	<u>13,538</u>	<u>13,538</u>
Allotted, called up and fully paid		
12,474,543 Ordinary shares of £1 each	<u>12,475</u>	<u>12,475</u>

22. RESERVES

	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000
At 1 January 2013	114,435	84,873	(42,646)
Loss for the financial year	-	-	(3,337)
Pension reserve movement	-	-	2,695
Foreign exchange loss on equity investment not offset by foreign exchange gain on foreign currency borrowings	-	-	4,536
At 31 December 2013	<u>114,435</u>	<u>84,873</u>	<u>(38,752)</u>

The closing balance on the Profit and Loss Account includes a £285,000 (2012 - £6,098,000) debit, stated after deferred taxation of £71,000 (2012 - £1,821,000), in respect of pension scheme liabilities of the company pension scheme

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholders' funds	169,137	184,995
Loss for the financial year	(3,337)	(8,357)
Other recognised gains and losses during the year	<u>7,231</u>	<u>(7,501)</u>
Closing shareholders' funds	<u>173,031</u>	<u>169,137</u>

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (continued)

Other recognised gains and losses during the year comprises

	2013	2012
	£000	£000
Actuarial gain/(loss) on pension scheme	3,666	(4,062)
Movement on deferred tax relating to actuarial /gain/(loss) in pension scheme	(971)	788
Foreign exchange loss on equity investment not offset by foreign exchange gain on foreign currency borrowings	4,536	(4,227)
	<u>7,231</u>	<u>(7,501)</u>

24. CONTINGENT LIABILITIES

Guarantees

The company had charges over its assets at the balance sheet date. These relate to USD 900 million of senior credit facilities entered into by fellow subsidiary Cristal Inorganic Chemicals US Inc. The credit facilities consist of (a) a First Lien Credit Agreement which includes a USD 120 million Revolving Credit Facility maturing on 15 May 2014 and a USD 550 million Term Loan maturing on 15 May 2014, and (b) a Second Lien credit Agreement which includes a USD 230 million Term Loan maturing on 15 November 2014. All obligations of the Credit Facilities are collateralised by the assets of Cristal Inorganic Chemicals Limited and each of its material subsidiaries, as guarantors.

All charges are in favour of HSBC Bank USA and are as follows:

First Lien Debenture

First fixed charge over all title, right and interest in and to all assets

Second Lien Debenture

First fixed charge over all title, right and interest in and to all assets

First Lien Mortgage

First fixed charge over all title, right and interest in and to all assets

Second Lien Mortgage

First fixed charge over all title, right and interest in and to all assets

25. CAPITAL COMMITMENTS

At 31 December 2013 the company had capital commitments as follows:

	2013	2012
	£000	£000
Contracted for but not provided in these financial statements	<u>806</u>	<u>1,929</u>

CRISTAL PIGMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

26 PENSION COMMITMENTS

Defined Contribution Pension Scheme

The total cost relating to defined contribution schemes was £1,987,000 (2012 £1,888,000) and represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2013 contributions of £130,000 (2012 £341,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined Benefit Pension Scheme

The company operated a defined benefit pension scheme in the UK for all qualifying employees. The assets of the scheme are held separately from those of the company in funds under the control of trustees.

The scheme is closed to new entrants and from 1 September 2009 was closed to future accrual. The company contributed £4,000,000 to the scheme in equal installments during the year ended 31 December 2013.

The company has agreed with the scheme's trustees to contribute at least £4,000,000 per annum from 1 January 2013 to 31 May 2020 payable in equal monthly instalments. In addition the company has agreed to pay additional contributions based on the business performance of the Cristal Inorganic Chemicals Limited Group.

The last full actuarial valuation of the scheme for cash funding purposes was as at 31 March 2012 and was performed by a qualified independent actuary.

On 8 July 2010, the Minister of State for Pensions announced the Government's intention to move to using the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the inflation measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits.

The inflation assumption adopted takes account of this guidance where relevant.

The actuarial valuation at 31 December 2013 for the purposes of FRS 17 showed a decrease in the deficit from £7,919,000 to £356,000.

The amounts recognised in the Balance Sheet are as follows:

	2013 £000	2012 £000
Present value of funded obligations	(105,531)	(108,998)
Fair value of scheme assets	105,175	101,079
Deficit in scheme	(356)	(7,919)
Related deferred tax asset	71	1,821
Net liability	(285)	(6,098)

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

26. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows

	2013 £000	2012 £000
Interest on obligation	(4,566)	(4,645)
Expected return on scheme assets	4,463	4,111
Past service cost	-	(56)
	<u>(103)</u>	<u>(590)</u>
Total	<u>(103)</u>	<u>(590)</u>
Actual return on scheme assets	<u>5,702</u>	<u>7,922</u>

Actuarial gains and losses have been reported in the statement of total recognised gains and losses. The actuarial gains/losses immediately recognised for the year amounted to a gain of £3,666,000 (2012 a loss of 4,062,000)

Movements in the present value of the defined benefit obligation were as follows

	2013 £000	2012 £000
Opening defined benefit obligation	108,998	101,146
Interest cost	4,566	4,645
Actuarial (gains)/losses	(2,427)	7,873
Past service costs	-	56
Benefits paid	(5,606)	(4,707)
Premiums paid	-	(15)
	<u>105,531</u>	<u>108,998</u>
Closing defined benefit obligation	<u>105,531</u>	<u>108,998</u>

Changes in the fair value of scheme assets were as follows

	2013 £000	2012 £000
Opening fair value of scheme assets	101,079	93,823
Expected return on assets	4,463	4,111
Actuarial gains	1,239	3,811
Contributions by employer	4,000	4,056
Benefits paid	(5,606)	(4,707)
Premiums paid	-	(15)
	<u>105,175</u>	<u>101,079</u>
	<u>105,175</u>	<u>101,079</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was a loss of £32,200,000 (2012 - £35,866,000)

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

26. PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2013	2012
European equities	11.80 %	23.80 %
European bonds	29.60 %	29.80 %
Diversified growth	8.90 %	16.20 %
Gilts/cash	49.70 %	30.20 %

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations of future returns for each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages)

	2013	2012
Discount rate at 31 December	4.60 %	4.30 %
Expected return on scheme assets at 31 December	4.80 %	4.80 %
Future pension increases	3.20 %	2.80 %
Inflation rate	2.40 %	2.30 %

The assumed life expectations on retirement for a male member age 65 retiring today 22.2 years (2012 22.4 years) and for a male member aged 40 today retiring in 25 years are 24.4 years (2012 24.6 years)

Amounts for the current and previous four periods are as follows

Defined benefit pension schemes

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Defined benefit obligation	(105,531)	(108,998)	(101,146)	(95,081)	(95,532)
Scheme assets	105,175	101,079	93,823	82,476	75,016
Deficit	(356)	(7,919)	(7,323)	(12,605)	(20,516)
Experience adjustments on scheme liabilities	-	-	-	-	915
Experience adjustments on scheme assets	1,239	3,811	(1,958)	2,431	7,245

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

PENSION COMMITMENTS (continued)

	2013 £000	2012 £000
Deferred tax asset relating to pension deficit		
At 1 January 2013	1,821	1,831
Profit and loss account	(779)	(798)
Deferred tax charged to the statement of total recognised gains and losses		
- on actuarial gain/(loss)	(733)	934
- change in tax rate	(238)	(146)
At 31 December 2013	<u>71</u>	<u>1,821</u>

27. OPERATING LEASE COMMITMENTS

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
Expiry date:				
Within 1 year	-	9	112	17
Between 2 and 5 years	-	-	267	168
After more than 5 years	-	-	28	181

28. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions provided under Financial Reporting Standard No 8 - "Related Party Disclosures" not to disclose transactions with other wholly owned companies within The National Industrialization Company Group

29. POST BALANCE SHEET EVENTS

The charges over the company's assets, detailed in the Contingent Liabilities note have been fully satisfied on 18th March 2014

CRISTAL PIGMENT UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Millennium Inorganic Chemicals Grimsby Limited, a company registered in England and Wales

Cristal Inorganic Chemicals Limited, a company registered in the Cayman Islands, is the parent undertaking of the smallest group in which the accounts of the company are consolidated. Copies of the financial statements of Cristal Inorganic Chemicals Limited may be obtained from the Corporate Headquarters, 20 Wight Avenue, Suite 100, Hunt Valley, MD 21030, USA

The company's ultimate parent undertaking, controlling party and parent undertaking of the largest group in which the accounts of the company are consolidated is The National Industrialization Company, a joint stock company incorporated in Saudi Arabia. Copies of the financial statements of The National Industrialization Company can be obtained from the Head Office, 7th Floor, Tower 2, New Akara Building, Sitteen Street, PO Box 26707, Riyadh, 11496, Kingdom of Saudi Arabia