Tessenderlo UK Limited

Directors' report and financial statements

Registered number 4244527

31 December 2006

Contents

Company Information

Directors

JM Groenen

BDG Stockhem

DL Van Deynse

AM Vanwalleghem

DJ Poynton (resigned on 30 June 2007)

Secretary

AM Vanwalleghem

Auditors

KPMG LLP

8 Princes Parade

Liverpool

L3 1QH

Registered office

West Bank Dock Estate

Widnes

Cheshire

WA8 0NY

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2006

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 7 to 21 The directors have not proposed a dividend in this year *(2005 £nil)*

Business review

In 2006 the Company attempted to reduce losses by increasing sales volumes and plant efficiency This strategy was coupled with a cost saving plan that led to 18 job losses in the first quarter of the year. As the year progressed it became obvious that, despite lower fixed costs and increased plant performance, the increased sales volumes would not materialise and the Directors took the decision to close the company at the end of 2006

As a result of this closure production ceased on 31/12/06 and there will be no further product, therefore these accounts have not been prepared on a going concern basis

These accounts contain a closure provision of £2.3m to cover the redundancy cost for all staff, demolition of the site and the continued running expenses of the site during the closure.

The Company's key performance indicators are,

Year	2006	2005
Volume (t's)	15,902	17,433
Turnover (£000's)	15,120	19,204
Av People	78	99

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 period amounted to £8,000 *(2005 £45,000)*

Post balance sheet event

Subsequent to the year end it has been announced that the UK corporation tax rate will decrease form 30% to 28% effective from 1 April 2008 This will reduce deferred tax asset in future periods As explained in note 13, no deferred tax asset has been recognised on the balance sheet as future recovery is uncertain

At 31 December 2007 the assets, liabilities and members of the pension scheme were transferred to a fellow subsidiary company's pension scheme

Subsequent to the year end the company's site has been sold for £5 7m which has been reflected in these accounts as a reversal of past impairments (see note 7) and a reduction in the provision for future operating costs (see note 12) A warranty up to £½m has been granted in favour of the benefit of the purchaser which is released to them in the event of an environment liability materialising within one year of sale relating to materials introduced to the site by the company between 2001 and 2004 The warranty has been treated as a contingent liability

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

JM Groenen

BDG Stockhem

DL Van Deynse

AM Vanwalleghem

DJ Poynton (resigned on 30 June 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 existed at the Widnes site Periodically, the company provided information regarding the financial and economic factors affecting its performance

Donations

Charitable donations of £nil were paid in the year *(2005 £nil)* No political donations were made in the year *(2005: £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 2006 were equivalent to 38 days purchases *(2005 53 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

Auditors

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 Vanwalleghem
Director

Bridge End Works
Macclesfield Road
Leek
Staffordshire
ST13 8LD

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

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

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis

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 UK Limited

We have audited the financial statements of Tessenderlo UK Limited for the year ended 31 December 2006 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 and as described in note 1 have not been prepared on a going concern basis

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 4

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 Tessenderlo UK 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 2006 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

30th June 2008

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover	1	15,120	19,204
Cost of sales		(17,018)	(22,302)
Gross loss		(1,898)	(3,098)
Administrative expenses		(1,583)	(1,984)
Selling and distribution expenses		(1,190)	(1,823)
Operating loss before reversal of/(charge) for impairment of tangible fixed assets		(4,671)	(6,905)
Reversal of / (charge) for impairment of tangible fixed assets	2	5,229	(5,229)
Operating profit / (loss)	2	558	(12,134)
Exceptionals – termination of operations	2	(6,670)	-
Other finance income	3	283	144
Interest payable and similar expense	4	(1,414)	(993)
Loss on ordinary activities before taxation		(7,243)	(12,983)
Taxation on loss on ordinary activities	5	3,735	2,658
Loss for the financial year	15	(3,508)	(10,325)

All activities of the company are discontinued

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Tangible fixed assets	7	5,229	-
Current assets			
Stocks	8	-	1,806
Debtors	9	9,446	7,935
Cash at bank and in hand		214	-
		9,660	9,741
Creditors: amounts falling due within one year	10	(10,973)	(21,611)
Provisions	12	(2,321)	-
Net current liabilities		(3,634)	(11,870)
Total assets less current liabilities		1,595	(11,870)
Creditors: amounts falling due after more than one year	11	(20,270)	(4,969)
Net assets excluding pension liability		(18,675)	(16,839)
Pension asset	18	-	1,194
Net assets including pension liability		(18,675)	(15,645)
Capital and reserves			
Called up share capital	14	6,500	6,500
Profit and loss account	15	(25,175)	(22,145)
Equity shareholders' funds		(18,675)	(15,645)

These financial statements were approved by the board of directors on 26 June 2008 and were signed on its behalf by

AM Vanwalleghem
Director

Statement of total recognised gains and losses
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Loss for the financial year		(3,508)	(10,325)
Actuarial gain recognised in the pension scheme	*18*	478	1,925
Total recognised gains and losses relating to the financial year		(3,030)	(8,400)

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

Fundamental accounting concept

The financial statements have been prepared on the non-going concern basis The directors believe this to be appropriate as the site and business ceased trading at the end of 2006 The company intends to honour all external liabilities and will continue to be dependent for its working capital on funds guaranteed by other group companies. Tessenderlo Chemie NV, the ultimate parent company, has, through its subsidiary Tessenderlo Holding UK, provided the company with an undertaking that it will continue to make available such funds and guarantees as are needed by the company This should enable the company to continue to meet its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

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

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

Plant and machinery	-	10 years
Fixtures, fittings, tools and equipment	-	3-10 years

No depreciation is provided on 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 and provision for impairment is made to reduce carrying values to net realisable value where appropriate

Notes *(continued)*

1 Accounting policies *(continued)*

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

Net realisable value is based on estimated selling price less any further costs to be incurred to completion and disposal

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

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, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- 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.

Cash flow statement

The cash flows for the year are included within the consolidated cash flow statement disclosed in the accounts of Tessenderlo Chemie NV Therefore, in accordance with Financial Reporting Standard 1 (Revised), no cash flow statement is presented in these 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 In the opinion of the directors, the disclosure of an analysis of turnover by destination would be seriously prejudicial to the interests of the company and therefore no such disclosure has been included within these accounts

2 Operating loss

Operating loss is stated after charging the following amounts:	2006 £000	2005 £000
Operating lease rentals – plant and machinery	29	28
Depreciation on owned assets	-	745
Auditors' remuneration		
- audit of these financial statements	32	18
- other services relating to taxation	7	5
Research and development expenditure	-	45
Foreign exchange loss	-	60
(Reversal of) / impairment of tangible fixed assets	(5,229)	5,229

During the prior year, following a review of the groups operations, the directors have reviewed the carrying value of the fixed assets against their expected recoverable amount and concluded that an impairment charge was required This impairment charge was disallowed for tax Due to the subsequent environmental survey of the site and its subsequent sale it was established that it was not as contaminated as previously estimated and consequently the impairment provision has been reversed.

Following an organisational review in the current year, the directors took the decision to close the business with no further trading after 2006 As a result the following exceptional costs were incurred during the year, or are provided for as at year end

	2006 £000	2005 £000
Redundancy costs	2,607	-
Future Operating costs	1,182	-
Site closure and clearance costs	1,433	-
Curtailment loss on pension scheme	1,828	-
Profit on disposal of fixed assets	(380)	-
	6,670	-

Notes *(continued)*

3 Other finance income

	2006 £000	2005 £000
Expected return on pension scheme assets	875	741
Interest on pension scheme liabilities	(592)	(597)
	283	144

4 Interest payable

	2006 £000	2005 £000
Interest payable on bank overdraft	(5)	-
Interest payable to group undertaking	1,419	993
	1,414	993

5 Taxation on profit on ordinary activities

	2006 £000	2005 £000
UK Corporation tax		
UK Corporation tax group relief surrendered	(4,107)	(2,085)
Adjustment in respect of prior years – group relief surrendered	372	(573)
Total current tax	(3,735)	(2,658)
UK deferred tax:		
Origination and reversal of timing differences	-	-
Expenses not deductible for tax purposes	-	-
Adjustments in respect of prior years	-	-
Total deferred tax (note 13)	-	-
Total tax credit	(3,735)	(2,658)

Notes *(continued)*

5 Taxation on profit on ordinary activities *(continued)*

The tax assessed for the period is lower (2005 higher) than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006 £000	2005 £000
Loss on ordinary activities before tax	(7,243)	(12,983)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(2,173)	(3,895)
Effects of:		
Origination and reversal of timing differences and rolled over gains	(2,367)	240
Expenses not deductible for tax purposes	433	1,570
Adjustment in respect of prior periods	372	(573)
Total tax credit	(3,735)	(2,658)

The credit represents amounts receivable from group companies in respect of group relief Although the sale of the land has been reflected in these accounts it did not become unconditional until 2008 and so tax is not payable in 2006

6 Directors and employee information

	2006 £000	2005 £000
Staff costs		
Wages and salaries	2,467	3,234
Social security costs	200	247
Other pension costs (note 18)	456	555
Curtailment loss on pension scheme (included within termination costs)	1,828	-
	4,951	4,036

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

	2006 Number	2005 Number
By activity		
Production	65	77
Selling and distribution	10	18
Administration	2	4
	77	99

Directors' emoluments in the year amounted to £nil *(2005 £9,536)* No director is a member of the company's defined benefit pension scheme *(2005 none)*

Notes *(continued)*

7 Tangible fixed assets

	Land, plant and machinery	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000
Cost			
At 1 January 2005	12,316	187	12,503
Additions	-	-	-
Reclassification	-	-	-
At end of year	**12,316**	**187**	**12,503**
Depreciation			
At beginning of year	12,316	187	12,503
Charge for the year	-	-	-
Reversal of impairment adjustment	(5,229)	-	(5,229)
At end of year	**7,087**	**187**	**7,274**
Net book value			
At 31 December 2006	**5,229**	**-**	**5,229**
At 31 December 2005	-	-	-

An environmental survey of the site has established that it was not as contaminated as previously estimated and consequently the impairment provision has been reversed

8 Stocks

	2006 £000	2005 £000
Raw materials and consumables	-	509
Work in progress	-	72
Finished goods and goods for resale	-	1,225
At end of year	-	1,806

9 Debtors

	2006 £000	2005 £000
Trade debtors	1,173	2,542
Amounts owed by group undertakings	103	619
Group relief receivable	8,139	4,404
Prepayments and accrued income	31	126
Other debtors	-	244
	9,446	7,935

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	806	3,340
Overdraft	-	7
Taxation and social security	93	137
Other creditors and accruals	47	117
Amount owed to group undertakings	10,027	18,010
	10,973	21,611

11 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	20,270	4,969

Analysis of debt:

	2006 £000	2005 £000
Debt can be analysed as falling due		
In one year or less or on demand	10,027	18,017
Between one and two years	1,000	1,000
Between two and five years	3,000	3,000
In five years or more	16,270	969
	30,297	22,986

Notes *(continued)*

12 Provisions for liabilities

	Redundancy provision	Provision for future operating costs	Site closure provision	Total
	£000	£000	£000	£000
At beginning of year	-	-	-	-
Utilised during year	-	-	-	-
Charge/credit to the profit and loss for the year	1,079	1,182	440	2,701
Less profit on disposal of assets	-	(380)	-	(380)
At end of year	1,079	802	440	2,321

As explained in note 1, the site and the business ceased trading at the end of 2006 and thus the financial statements have been prepared on the non-going concern basis As a result future operating costs including ongoing salaries, security and professional fees have been provided for as at year end

Due to the closure of the business all members of the company's pension scheme will be transferred to the Tessenderlo Fine Chemicals pension scheme and then the scheme will be would up

13 Deferred Tax

	2006	2005
	£000	£000
At 1 January	-	-
Transfer from the profit and loss account (note 5)	-	-
At 31 December	-	-

Deferred tax consists of

	Recognised		Unrecognised	
	2006	2005	2006	2005
	£000	£000	£000	£000
Accelerated capital allowances	-	-	-	(440)
Other timing differences	-	-	(68)	(25)
Liability arising on pension surplus	-	-	-	358
Carried forward trading losses	-	-	(318)	-
Deferred tax (asset)/liability	-	-	(386)	(107)

A deferred tax asset of £386,000 *(2005 £107,000)* has not been recognised due to the uncertainty surrounding future taxable profits to utilise any asset

Notes *(continued)*

14 Share capital

	2006	2005
	£000	£000
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	6,500	6,500

15 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit and loss account	Total shareholder's funds
	£000	£000	£000
At 1 January 2006	6,500	(22,145)	(15,645)
Loss for the year	-	(3,508)	(3,508)
Actuarial gain recognised in the pension scheme	-	478	478
At 31 December 2006	6,500	(25,175)	(18,675)

	2006	2005
	£000	£000
Profit and loss reserve excluding pension asset	(25,175)	(23,339)
Pension asset	-	1,194
Profit and loss reserve including pension liability	(25,175)	(22,145)

16 Capital commitments

	2006	2005
	£000	£000
Contracts placed for future capital expenditure not provided in the financial statements	-	-

17 Operating leases – plant and machinery

	2006	2005
	£000	£000
Annual commitments payable under non-cancellable operating leases expiring		
Within one year	-	-
Between one and five years	4	28
	4	28

Notes *(continued)*

18 Pension arrangements

The Company operates a pension scheme providing benefits based on final pensionable pay The latest full actuarial valuation was carried out at 1 January 2003 and was updated for FRS 17 purposes to 31 December 2005 and 31 December 2006 by a qualified independent actuary

The actuarial valuation was updated by the actuary to 31 December 2006, using the following assumptions

	At 31 December 2006 (p.a.)	At 31 December 2005 (p a.)	At 31 December 2004 (p a)
Rate of increase in salaries	**3 00%**	3 65%	3 75%
Rate of increase in pensions in payment	**3 60%**	3 15%	3.25%
Discount rate	**5.16%**	4 90%	5 25%
Inflation assumption	**3.00%**	2 65%	2 75%
Investment return	**6.86%**	6 85%	7 33%

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 2006		31 December 2005		31 December 2004	
	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 4%**	**11,148**	7 10%	11,198	7 80%	8,215
Bonds	**5 2%**	**542**	4 90%	201	5 25%	640
Other	**4.5%**	**2,058**	4 10%	1,004	4 50%	772
Total market value of scheme assets		**13,748**		12,403		9,627
Present value of scheme liabilities		**(11,920)**		(11,209)		(10,349)
Surplus/(Deficit) in the scheme		**1,828**		1,194		(722)
Curtailment loss		**(1,828)**		-		-
Less deferred taxation		**-**		-		-
Net pension surplus/ (liability)		**-**		1,194		(722)

The company ceased trading at the end of 2006 and a decision to close the scheme was taken A curtailment loss has been recognised in the profit and loss in order to write down the value of the surplus in the scheme to nil as no future benefits from reduction in contributions or payment holidays will be obtained by the company

The related deferred tax asset in 2004 (£217,000) was not recognised due to the uncertainty surrounding future taxable profits to utilise any asset The deferred tax liability in 2005 (£358,000), arising on the pension fund surplus has not been provided on the basis of the existence of an unprovided deferred tax asset – see note 13

Notes *(continued)*

18 Pension arrangements *(continued)*

Analysis of other pension costs charged in arriving at operating loss

	2006 £000	2005 £000
Operating loss.		
Current service cost	(456)	(555)
Past service costs	-	-
Curtailment loss	(1,828)	-
Total operating charge	(2,284)	(555)
Other finance income.		
Interest cost on pension scheme liabilities	(571)	(597)
Expected return on pension scheme assets	854	721
Net finance income	283	124
Statement of Total Recognised Gains and Losses:		
Actual return less expected return on pension scheme assets	306	1,671
Experience gains and losses arising on the scheme liabilities	400	532
Changes in assumptions underlying the present value of the scheme	(228)	(278)
Actuarial gain recognised in Statement of Total Recognised Gains and Losses	478	1,925

Notes *(continued)*

18 Pension arrangements *(continued)*

	2006	2005	2004	2003	2002 (17 months)
History of experience gains and losses:					
Difference between expected and actual return on scheme assets					
Amount (£000)	**305**	1,671	412	634	(22)
Percentage of scheme assets at end of year	**22%**	13 5%	4 3%	7 7%	-
Experience gains and losses on scheme liabilities					
Amount (£000)	**400**	532	104	(140)	(77)
Percentage of scheme assets at end of year	**3 4%**	4 3%	1 0%	(1 5%)	(1 1%)
Total amount recognised in the Statement of Recognised Gains and Losses					
Amount (£000)	**478**	1,925	150	(432)	(167)
Percentage of scheme assets at end of year	**3.5%**	15 5%	1 4%	(4 8%)	(2 4%)

Movement in deficit during the year	2006	2005	2004
Surplus/(deficit) in scheme at 1 January	**1,194**	(722)	(825)
Movement in year			
Current service cost	**(456)**	(555)	(607)
Contributions	**330**	402	440
Other finance income	**283**	144	120
Actuarial gain	**478**	1,925	150
Surplus/(deficit) in scheme at 31 December	**1,829**	1,194	(722)

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

The immediate parent undertaking 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 Tessenderlo Chemie NV became the ultimate parent undertaking on 6 August 2001 Copies of the Tessenderlo Chemie NV accounts may be obtained from the registered office, Rue du Trône, 130, B-1050 Brussels

20 Post Balance Sheet Event & Contingent liability

Subsequent to the year end it has been announced that the UK corporation tax rate will decrease form 30% to 28% effective from 1 April 2008 This will reduce deferred tax asset in future periods As explained in note 13, no deferred tax asset has been recognised on the balance sheet as future recovery is uncertain

At 31 December 2007 the assets, liabilities and members of the pension scheme were transferred to a fellow subsidiary company's pension scheme

Subsequent to the year end the company's site has been sold for £5 7m which has been reflected in these accounts as a reversal of past impairments (see note 7) and a reduction in the provision for future operating costs (see note 12) A warranty up to £½m has been granted in favour of the benefit of the purchaser which is released to them in the event of an environment liability materialising within one year of sale relating to materials introduced to the site by the company between 2001 and 2004 The warranty has been treated as a contingent liability