

Chemtura Europe Limited

Directors' report and financial statements

Registered number SC097824

Year ended 31 December 2010

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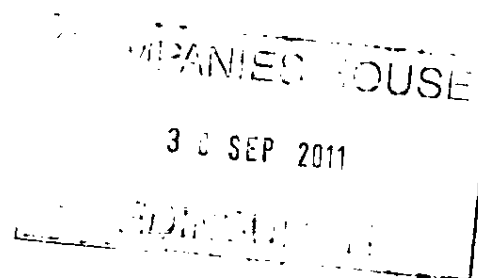
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Company information

Directors

Stephen James
Billie S Flaherty
Stephen C Forsyth
Hafeez Mohammed

Secretary

Arthur Fullerton

Bankers

Royal Bank of Scotland
11 Harrow Market
Langley
Slough
SL3 8EU

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Auditors

KPMG LLP
St James' Square
Manchester
M2 6DS

Registered office

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Company is to provide services to other Chemtura group companies in marketing, technical support, research and development of agricultural and industrial chemicals.

Emergence from Chapter 11 by Ultimate Holding Company Chemtura Corporation USA

On 10 November 2010 the Company's parent Company, Chemtura Corporation, and 26 of its US affiliates announced that it has successfully completed its financial restructuring and emerged from protection under Chapter 11 of the United States Bankruptcy Code.

As a non-US subsidiary, the Company was not included in the financial restructuring and was not subject to the requirements of the US Bankruptcy Code. The basis on which the Directors have prepared the financial statements under the going concern assumption is set out in note 1.

Business review

The Company remains committed to removing non-value-added work throughout the organisation as it continues to position itself for the long-term success of the business.

Strategy

The business strategy is to generate growth in sales and profitability through technology-led innovation, participating in the growth of the faster growing regions of the world, creating a performance driven culture among its employees and actively managing its business portfolio and costs.

Performance during 2010

	2010 £000	2009 £000
Turnover	17,007	14,681
Operating profit	1,548	1,387
Profit for the financial year	944	830

Overall turnover was up 16% due to increased activities in 2010, as the agricultural and industrial chemical business began to recover from the 2009 economic downturn.

No dividend has been proposed for the current year (2009: £nil).

Directors' report *(continued)*

Risk and Uncertainty

The Directors of the Company are responsible for all risk management. This accomplished by regular monthly reporting within the Chemtura group.

A risk to the business is additional regulatory requirements in environmental, health and safety and product registration areas. The use of internal employees and external advisers to monitor compliance with specific laws and regulations will mitigate the risk where possible.

Key Performance Indicators

The Ultimate Parent company monitors the business internally with a number of performance indicators. These include for example, an Annual Business Plan, and monthly forecasts showing future expenditure and cashflow to help monitor business performance.

Branches

The Company has branches in Hungary, Slovakia, Poland and the Czech Republic.

Research and development

During 2010, Chemtura proprietary substances were tested and experiments conducted to generate biological and crop safety data essential for achieving registrations of products. New formulations of existing products were developed and tested for support of factory manufacture as a consequence of withdrawal of supply of key raw materials from suppliers.

The Company has continued its support of existing active substances under EU Directive 91/414/EEC and 98/8/EEC review. Following successful inclusion of active substances on Annex 1, re-registration at country level is undertaken in the EU and in addition, a number of country (re)registrations and extensions of registrations in Europe, Middle-East and Africa were achieved during this period for various end-use products based on our own active substances, as well as for end-use products from Strategic Partners.

Substantial shareholding

The Directors have no substantial shareholding in the Company's issued share capital at the date of this report.

Political and charitable contributions

The Company made no political contributions during the year (2009: £nil). Donations to UK charities amounted to £nil (2009: £nil).

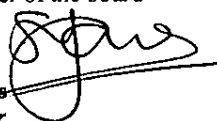
Disclosure of information to auditors

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

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and will therefore continue in office.

By order of the board


S James
Director

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

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

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 of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the Company's transaction and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Chemtura Europe Limited

We have audited the financial statements of Chemtura Europe Limited for the year ended 31 December 2010 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

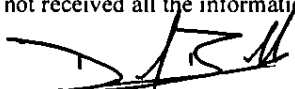
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Chemtura Europe Limited
(continued)

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.

 30 September 2011

David Bills (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St James Square
Manchester
M2 6DS

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	2	17,007	14,681
Cost of sales		(15,459)	(13,294)
Gross profit		1,548	1,387
Operating profit	3-5	1,548	1,387
Other interest receivable and similar income	6	20	97
Interest payable and similar charges	7	(169)	(267)
Profit on ordinary activities before taxation		1,399	1,217
Tax on profit on ordinary activities	8	(455)	(387)
Profit on ordinary activities after taxation		944	830

All results derive from continuing operations.

The notes on page 9-19 are an integral part of the financial statements.

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2010

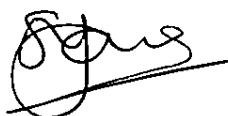
There were no recognised gains or losses other than those passing through the profit and loss account for the current and preceding financial year.

Balance sheet
at 31 December 2010

	<i>Note</i>	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Intangible fixed assets	9		3,725		3,574
Tangible fixed assets	10		288		306
Investments	11		30,718		30,718
			<u>34,731</u>		<u>34,598</u>
Current assets					
Debtors	12	13,691		14,571	
Cash at bank and in hand		764		884	
		<u>14,455</u>		<u>15,455</u>	
Creditors: amounts falling due within one year	13	<u>(18,125)</u>		<u>(19,928)</u>	
Net current (liabilities)			<u>(3,670)</u>		<u>(4,473)</u>
Total assets less current liabilities			<u>31,061</u>		<u>30,125</u>
Provisions for liabilities and charges	14		-		(8)
Net assets			<u>31,061</u>		<u>30,117</u>
Capital and reserves					
Called up share capital	15		1,697		1,697
Capital contribution account	16		24,780		24,780
Profit and loss account	17		4,584		3,640
Shareholders' equity	18		<u>31,061</u>		<u>30,117</u>

The notes on page 9-19 are an integral part of the financial statements.

These financial statements were approved by the board of Directors on the 28 September 2011 and were signed on its behalf by:



S James
Director

Company number SC097824

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 Company's financial statements.

Basis of preparation

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

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006 since the Company is a wholly owned subsidiary of another company. The financial statements present information about the Company as an individual undertaking and not about its group.

The Company's consolidated accounts are included in those of the ultimate parent company, Chemtura Corporation, which is incorporated in the USA.

As a wholly owned subsidiary the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" and has, therefore, not disclosed transactions with fellow member of the Chemtura Corporation group.

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

Going Concern

On 10 November 2010 the Company's parent Company, Chemtura Corporation, and 26 of its US affiliates announced that it had successfully completed its financial restructuring and emerged from protection under Chapter 11 of the United States Bankruptcy Code.

As a non-US subsidiary, the Company was not included in the financial restructuring and was not subject to the requirements of the US Bankruptcy Code.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Depreciation is not provided on freehold land or assets in the course of construction. Depreciation is provided on other assets to write off cost less the estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	-	4% per annum
Machinery, equipment, fixtures and fittings	-	6½% - 30% per annum

Investments

Investment in subsidiary and associates are included in the balance sheet at cost less any provision for impairment.

Intangible assets and amortisation

Licences obtained are valued on a historic cost basis. Amortisation is provided to write off the cost in equal instalments over a period of ten years once the licence has been brought into use.

Turnover

Turnover in Chemtura Europe Limited is a management recharge from Chemtura Europe Limited to other group companies for administrative services and research and development work provided, which is recognised net of VAT at the point in which the services have been rendered.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases. The Company has no finance leases.

Post-retirement benefits

The Company operates a defined contribution pension scheme, which are open to all eligible employees. The assets of the scheme are held separately from those of the Company, by Scottish Widows and Standard Life. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Research and development

Expenditure on research and development is capitalised where it meets the requirements of SSAP 13 'Research and Development'. Other expenditure on research and development it is written off as incurred.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes (continued)

2 Turnover

	2010 £000	2009 £000
By business sector		
Provision of services	17,007	14,681
	<hr/>	<hr/>
	2010 £000	2009 £000
By geographical area		
Rest of Europe	11,045	10,133
America	5,962	4,548
	<hr/>	<hr/>
	17,007	14,681
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting) :</i>		
Depreciation and other amounts written off tangible fixed assets – owned	91	179
Amortisation on intangible assets	126	96
Hire of plant and machinery - rentals payable under operating leases	396	144
Hire of other assets - operating leases	310	379
Research and development expenditure	4,867	4,131
Exchange loss	216	171
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
	2010 £000	2009 £000
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	10	16
	<hr/>	<hr/>

Notes (continued)

4 Directors' emoluments

The emoluments of Directors of the Company are as stated below:

	2010	2009
	£000	£000
Emoluments	85	37
	<hr/>	<hr/>
	No.	No.
Members of group defined benefit pension schemes	1	1
	<hr/>	<hr/>

The emoluments of the highest paid Director of the Company are as stated below:

	2010	2009
	£000	£000
Emoluments	85	37
	<hr/>	<hr/>

The other Directors are employees of other Chemtura group companies and do not receive specific compensation for being directors of the Company.

5 Staff numbers and costs

The average number of persons employed (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Selling and distribution	36	38
Administration	10	9
Research, development and technical advice	47	45
	<hr/>	<hr/>
	93	92
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	5,190	5,183
Social security costs	593	610
Other pension costs	431	248
	<hr/>	<hr/>
	6,214	6,041
	<hr/>	<hr/>

6 Other interest receivable and similar income

	2010	2009
	£000	£000
Amounts receivable from group undertakings	15	90
Bank interest	5	7
	<hr/>	<hr/>
	20	97
	<hr/>	<hr/>

Notes (continued)

7 Interest payable and similar charges

	2010 £000	2009 £000
Amounts payable to group undertakings	169	265
Amounts payable on other loans	-	2
	<u>169</u>	<u>267</u>

8 Taxation

a) Analysis of the tax charge for the year	2010 £000	2009 £000
<i>UK Corporation Tax</i>		
Current tax on profit for the year	405	369
Adjustment in respect of prior years	13	11
Double taxation relief	(54)	(32)
<i>Foreign tax</i>		
Current tax on profit for the year	58	32
	<u>422</u>	<u>380</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 14)	33	7
	<u>455</u>	<u>387</u>

The current tax charge for the year is higher (2009: *higher*) than the standard rate of taxation in the UK of 28% (2009: 28%). The differences are explained below.

b) Factors affecting the tax charge for the current year	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,399	1,217
	<u>391</u>	<u>341</u>
Current tax at 28% (2009: 28%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	35	35
Other foreign tax adjustments	(8)	-
Capital allowances for period in excess of depreciation	(21)	(7)
Higher taxes on overseas earnings	12	-
Adjustments to tax charge in respect of previous periods	13	11
	<u>422</u>	<u>380</u>

Factors that may affect future current and total tax charge;
 The deferred tax asset has been calculated at 28% in accordance with FRS 19.

Notes (continued)

9 Intangible fixed assets

	Licences £000
<i>Cost</i>	
At beginning of financial year	3,861
Additions	277
	<hr/>
At end of financial year	4,138
	<hr/>
<i>Amortisation</i>	
At beginning of financial year	287
Charged in financial year	126
	<hr/>
At end of financial year	413
	<hr/>
<i>Net book value</i>	
At 31 December 2010	3,725
	<hr/>
At 31 December 2009	3,574
	<hr/>

10 Tangible fixed assets

	Freehold land and buildings £000	Machinery, equipment, fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of financial year	813	6,033	6,846
Additions	33	44	77
Disposals	-	(2,052)	(2,052)
	<hr/>	<hr/>	<hr/>
At end of financial year	846	4,025	4,871
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of financial year	656	5,884	6,540
Charge for year	30	61	91
Disposal	-	(2,048)	(2,048)
	<hr/>	<hr/>	<hr/>
At end of financial year	686	3,897	4,583
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2010	160	128	288
	<hr/>	<hr/>	<hr/>
At 31 December 2009	157	149	306
	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investment

	2010 £000	2009 £000
At beginning of financial year	30,718	30,480
Acquisitions	-	238
At 31 December 2010	30,718	30,718

Name of acquisition	Country of incorporation	Type of shares held	% of shares acquired	Principal activity
Chemtura Corporation UK Limited	England and Wales	Ordinary £1	100	Holding company
Baxenden Chemicals Limited	England and Wales	Ordinary £1	46.5	Manufacture and sale of speciality chemicals

Chemtura Europe Limited holds 46.5% of the share capital of Baxenden Chemicals Limited. Chemtura Corporation UK Limited holds 53.5% of the remaining share capital of Baxenden Chemicals Limited, a Company registered in England and Wales.

The acquisition in 2009 relates to the remaining legal and stamp duty fees relating to the purchase of Baxenden Chemicals Limited.

12 Debtors

	2010 £000	2009 £000
Trade debtors	49	10
Amounts owed by group undertakings	12,988	13,609
Other debtors	243	370
Prepayments and accrued income	411	582
	13,691	14,571

All debtors fall due within one year.

Notes (continued)

13 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	1,765	2,218
Amounts owed to group undertakings	15,515	16,973
Corporation tax	351	336
Other creditors including taxation and social security	198	128
Accruals and deferred income	296	273
	<u>18,125</u>	<u>19,928</u>

14 Provisions for liabilities and charges

	Onerous lease provision £000	Deferred Taxation £000	Total £000
At 31 December 2009	8	(151)	(143)
Released during the year	(8)	33	25
	<u>-</u>	<u>(118)</u>	<u>(118)</u>
At 31 December 2010 (deferred tax within other debtors)	-	(118)	(118)

The lease on the premise relate to Thames House. Thames House was assigned to a third party, consequently this provision, has now been released during the year.

The elements of deferred taxation are set out below:

	2010 £000	2009 £000
Differences between accumulated depreciation and amortisation and capital allowances	(118)	(151)
Deferred tax asset	<u>(118)</u>	<u>(151)</u>

Notes *(continued)*

15 Called up share capital

	2010 £000	2009 £000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,697,373 ordinary shares of £1 each	1,697	1,697
	<hr/>	<hr/>

16 Capital contribution account

	2010 £000	2009 £000
<i>Fully paid</i>		
24,779,999 Paid in capital	24,780	24,780
	<hr/>	<hr/>

17 Profit and loss reserve

	2010 £000	2009 £000
At start of year	3,640	2,810
Profit for the year	944	830
	<hr/>	<hr/>
At 31 December 2010	4,584	3,640
	<hr/>	<hr/>

18 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Profit for the financial year	944	830
	<hr/>	<hr/>
Net addition to shareholders' fund	944	830
Opening shareholders' fund	30,117	29,287
	<hr/>	<hr/>
Closing shareholders' fund	31,061	30,117
	<hr/>	<hr/>

Notes (continued)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2010 Plant and machinery £000	2010 Land and buildings £000	2009 Plant and machinery £000	2009 Land and buildings £000
Operating leases which expire:				
Within one year	28	-	122	116
In the second to fifth years inclusive	72	157	276	-
	<u>100</u>	<u>157</u>	<u>398</u>	<u>116</u>

20 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions paid by the Company to the scheme and amounts to £248,000 (2009: £248,000).

There were no prepaid or outstanding contributions at the end of the financial year (2009: £nil).

21 Ultimate parent Company and parent undertaking of larger group

At the year end the Company's ultimate parent Company and controlling party was Chemtura Corporation, a Company incorporated in the United States of America. Chemtura Manufacturing Co. Inc., a Company incorporated in the United States of America, is the immediate parent undertaking of Chemtura Europe Limited and prepares consolidated accounts. The largest group in which the results of the Company and its subsidiary are consolidated is that headed by Chemtura Corporation. Copies of the consolidated financial statements of these groups are available from The Securities Exchange Commission, Washington D.C. 20549.

22 Other financial events

On 10 November 2010 the Company's ultimate parent Company, Chemtura Corporation, and 26 of its US affiliates announced that it had successfully completed its financial restructuring and emerged from protection under Chapter 11 of the United States Bankruptcy Code.

As a non-US subsidiary, the Company was not included in the financial restructuring and was not subject to the requirements of the US Bankruptcy Code.

In the budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which have a significant effect on the Company's future tax position. As at 31 December 2010, the change in the tax rate from 28% to 27% which was to take effect from 1 April 2011, was 'substantively enacted' and as such, in accordance with accounting standards, this change has been reflected in the Company's financial statements as at 31 December 2010.

More recently in his budget of 24 March 2011, the Chancellor of the Exchequer proposed further decreases in the rate of UK corporation tax from 27% to 23%. The UK corporation tax rate is to reduce to 26% on 1 April 2011 and then by a further 1% each year, from April 2012. These proposed rate changes have not yet been enacted, but are to be enacted on an annual basis.

The rate change will also impact the amount of the future cash tax payment to be made by the Company. The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted.