1631120

Hydro Polymers Limited

Report and Financial Statements

31 December 2003

Ernst & Young

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COMPANIES HOUSE 30/10/04

Registered No: 1631120

Directors
A Hermansson
H J Rønningen
W J Wood
A Frohde
O Berge
J S Rosstad

Secretary
Z J Bird

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Results and dividends

The retained profit, after taxation and proposed final dividend of £1,093,000 for the year, amounted to £2,079,000 (2002: £4,017,000 after dividends of £2,785,000).

Review of the business

The company's principal activity continued to be the manufacture and sale of PVC resin and compound products.

On 1 June 2003 the company purchased PolyOne's European easy-flow vinyl compounding business. The cost of the acquisition was expensed in the year. PolyOne and Hydro Polymers have worked together since 1991 when a joint venture was first established to develop a high-flow vinyl compounding business in Western Europe. In 2000 PolyOne purchased Hydro Polymers' 50 percent share in the joint venture to assume total ownership. Hydro Polymers retained a long-term manufacturing and service agreement and continued producing these compounds for PolyOne.

Future developments

The company will examine opportunities for profitable development as and when they arise.

Research and development

The company is actively involved in polymer research and development.

Directors and their interests

The directors at 31 December 2003, none of whom had any interest requiring disclosure under the Companies Act 1985, at 31 December 2003 or 31 December 2002, were as follows:

A Hermansson	(Chairman)
H J Ronningen	
D Summerbell	(retired 5 October 2004)
P Hogg	(resigned 18 October 2004)
W J Wood	
A Frohde	

In addition O Berge was appointed director on 29 April 2004 and J S Rosstad on 18 October 2004.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

The company's standard credit terms for purchases are 55 days from the end of the month of delivery.

At 31 December 2003, the company had an average of 51 days purchases outstanding in trade creditors.

Directors' report

Employee involvement and consultative arrangements

Arrangements exist within the company for ensuring that all employees are informed about company matters and have the opportunity for making their opinions known.

Regular meetings are held to enable the representatives of all grades of employees to discuss matters affecting them which include such topics as industrial relations, health and safety, training and welfare, the environment and the financial and trading position of the company.

Disabled employees

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

On behalf of the Board,

Wm J Wood

W J Wood
Director

Date 29 Oct 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ERNST & YOUNG

Independent auditors' report

to the members of Hydro Polymers Limited

We have audited the company's financial statements for the year ended 31 December 2003, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

29 October 2004

Profit and loss account

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	151,439	137,443
Cost of sales		136,614	113,348
Gross profit		14,825	24,095
Distribution costs		6,449	5,795
Administrative expenses		6,747	6,399
		13,196	12,194
Operating profit	3	1,629	11,901
Bank interest receivable		833	796
Interest payable	5	(2,861)	(2,862)
		(2,028)	(2,066)
(Loss)/profit on ordinary activities before taxation		(399)	9,835
Tax on (loss)/profit on ordinary activities	6	(3,571)	3,033
Profit on ordinary activities after taxation		3,172	6,802
Dividends	7	1,093	2,785
Retained profit for the financial year	18	2,079	4,017

Statement of total recognised gains and losses

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £3,172,000 in the year ended 31 December 2003 and the profit attributable to shareholders of the company of £6,802,000 in the year ended 31 December 2002.

Balance sheet

at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	58,386	62,996
Investments	10	-	-
		58,386	62,996
Current assets			
Stocks	11	17,885	12,544
Debtors	12	24,088	22,661
Cash at bank and in hand		24,025	33,335
		65,998	68,540
Creditors: amounts falling due within one year	13	18,866	26,477
Net current assets		47,132	42,063
Total assets less current liabilities		105,518	105,059
Creditors: amounts falling due after more than one year	14	34,000	34,000
Provisions for liabilities and charges			
Deferred taxation	16	7,543	9,412
Post retirement health care benefits	21	1,466	1,346
Pension	21	839	728
Accruals and deferred income			
Deferred government grants	22	443	425
		44,291	45,911
		61,227	59,148
Capital and reserves			
Called up share capital	17	42,300	42,300
Profit and loss account	18	18,927	16,848
Equity shareholders' funds	19	61,227	59,148

W J Wood — William J Wood
Director

Date — 29 Oct 2004

TOTAL P.02

Notes to the financial statements

at 31 December 2003

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with the terms of Section 228 of the Companies Act, the company is exempt from the obligation to prepare and deliver group financial statements as it is a subsidiary undertaking and the company's financial statements are included in the group financial statements of Norsk Hydro ASA, which is incorporated in Norway. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Intangible assets

Intangible assets are included at cost. Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Technology licences - 5 and 10 years

The lives chosen reflect the periods over which the company expects to derive the benefits of the licences.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed assets

Fixed assets are included at cost. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	at rates varying between 8 and 40 years
Plant, machinery and vehicles	-	at rates varying between 4 and 30 years

Construction in progress is not depreciated.

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Capitalised interest

Interest is capitalised as part of the cost of property or plant under construction when the construction period exceeds 12 months and the interest incurred on the construction project exceeds £50,000.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials and goods for resale - purchase cost on a first-in, first-out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads, based on a normal level of activity, on a first-in, first-out basis.

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

Deferred government grants

Government grants on capital expenditure are credited to a deferred income account and are released to profit over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Research and development

Research and development expenditure is written off as incurred.

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 disposal 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;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their expected useful lives and the lease term.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The expected cost of pensions, in respect of the company's defined benefit pension scheme, in which the company's employees participate, is charged to the profit and loss account, so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Post-retirement health care benefits

The expected cost of post-retirement health care benefits in respect of the company's policy of meeting the cost of subscriptions to private medical insurance for certain grades of employees after they have retired, is charged to the profit and loss account so as to spread the cost of the health care benefits over the service lives of the eligible employees.

The provision for the future post-retirement health care benefit liability is included in provisions for liabilities and charges in the balance sheet.

Cash flow

The company is a wholly owned subsidiary of Ondeo Industrial Solutions France, a company which produces publicly available accounts in which the company is included. Consequently, the company is exempt from publishing a cash flow statement under the terms of FRS 1 (revised) – Cashflow Statements.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced for the provision of goods and services which fall within the ordinary activities of the company, all of which are continuing.

The turnover, pre-tax profit and net operating assets are attributable to one class of business, the manufacture and sale of PVC resin and compound products, and derive substantially from one location within the United Kingdom.

An analysis of turnover by geographical market is given below:

	2003	*2002*
	£'000	*£'000*
United Kingdom	125,549	114,766
Other European countries	24,488	21,249
Rest of the World	1,402	1,428
	151,439	137,443

3. Operating profit

(a) This is stated after charging/(crediting):

	2003	*2002*
	£'000	*£'000*
Auditors' remuneration - audit fees	58	60
- non audit fees	18	28
Depreciation of owned tangible fixed assets	8,269	8,158
Amortisation of technology licences	-	23
Operating lease rentals - plant and machinery	346	359
Expenditure on research and development	161	326
Release of deferred government grants	(62)	(62)
Loss on disposal of tangible fixed assets	-	14
Reorganisation costs	61	788

Notes to the financial statements

at 31 December 2003

3. Operating profit (continued)

(b) Directors' remuneration

	2003	*2002*
	£'000	*£'000*
Emoluments	313	291

	2003	*2002*
	No.	*No.*
Directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes	3	3

(c) The amounts in respect of the highest paid director are as follows:

	2003	*2002*
	£'000	*£'000*
Emoluments	163	152
Accrued pension as at 31 December 2003	85	76

4. Staff costs

	2003	*2002*
	£'000	*£'000*
Wages and salaries	11,586	11,949
Social security costs	923	785
Other pension costs	1,617	1,501
Post-retirement health care benefits	120	(78)
	14,246	14,157

The average number of employees during the year was as follows:

	2003	*2002*
	No.	*No.*
Administration	30	30
Technical and commercial	42	42
Production	332	338
	404	410

Notes to the financial statements

at 31 December 2003

5. Interest payable

	2003 £'000	2002 £'000
Interest payable to group undertakings	2,861	2,862

6. Tax on profit on ordinary activities

The taxation charge is made up as follows:

	2003 £'000	2002 £'000
Corporation tax		
UK on the (loss)/profit for the year	1,150	3,404
Adjustments in respect of previous periods	(2,852)	-
Total current tax (credit)/charge	(1,702)	3,404
Deferred tax		
Origination and reversal of timing differences (note 16)	(1,869)	(371)
Tax on (credit)/charge on (loss)/profit on ordinary activities	(3,571)	3,033

(b) Factors affecting current tax (credit)/charge

The tax (credit)/charge assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are reconciled below:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before tax	(399)	9,835
(Loss)/profit on ordinary activities before tax at 30%	(120)	2,951
Effects of:		
Expenses not deductible for tax purposes	77	82
Accounting depreciation in excess of tax depreciation	1,234	141
Other timing differences	(41)	230
Prior year adjustment	(2,852)	-
Total current tax	(1,702)	3,404

(c) Factors affecting future tax charge

The directors are not aware of any significant factors which may affect the future tax charge.

Notes to the financial statements

at 31 December 2003

7. Dividends

	2003 £'000	2002 £'000
Ordinary – final proposed	1,093	2,785

8. Intangible fixed assets

	Technology licences £'000
Cost:	
At 1 January 2003 and at 31 December 2003	268
Amortisation:	
At 1 January 2003	245
Provided during the year	23
At 31 December 2003	268
Net book value:	
At 31 December 2003	-
At 31 December 2002	23

9. Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery and vehicles £'000	Construction in progress £'000	Total £'000
Cost:				
At 1 January 2003	12,203	117,574	6,254	136,031
Additions	-	-	3,659	3,659
Transfers between categories	504	6,732	(7,236)	-
At 31 December 2003	12,707	124,306	2,677	139,690
Depreciation:				
At 1 January 2003	4,719	68,316	-	73,035
Provided during the year	515	7,754	-	8,269
At 31 December 2003	5,234	76,070	-	81,304
Net book value:				
At 31 December 2003	7,473	48,236	2,677	58,386
At 31 December 2002	7,484	49,258	6,254	62,996

Notes to the financial statements

at 31 December 2003

9. Tangible fixed assets (continued)

The cost of plant and machinery as at 31 December 2003 and 31 December 2002 includes £3,592,000 of capitalised interest.

10. Investments

Subsidiary undertakings:

	£'000
Cost and net book value:	
At 1 January 2003 and 31 December 2003	-

The company's investments comprise the following holdings in the ordinary share capital of the companies listed below:

	Proportion held %	*Nature of business*
Subsidiary undertakings:		
Hydro Petrochemicals Limited	100	Dormant
Joint ventures:		
Hypol Pension Trustees Limited	50	Pension Fund Corporate Trustee

11. Stocks

	2003 £'000	*2002 £'000*
Raw materials and consumables	6,881	5,865
Work in progress	71	52
Finished goods and goods for resale	10,933	6,627
	17,885	12,544

The company has arrangements with a number of suppliers to pay for raw materials as they are consumed as opposed to as they are received. At the year end the company held £654,000 (2002: £919,000) of stocks on consignment which are not included in the balance sheet until the transfer of title crystallises.

Notes to the financial statements

at 31 December 2003

12. Debtors

	2003 £'000	2002 £'000
Trade debtors	22,313	20,423
Amounts owed by group undertakings	167	678
Other debtors	709	784
Prepayments and accrued income	899	776
	24,088	22,661

Included in other debtors is £1,650 relating to employee loans, none of which relates to officers of the company (2002: £6,250 relating to employee loans, none of which relates to officers of the company).

13. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	8,702	11,032
Amounts owed to group undertakings	5,085	9,055
Other taxes and social security costs	1,415	1,188
Accruals	2,571	2,417
Proposed dividend	1,093	2,785
	18,866	26,477

14. Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Loan from parent undertaking (note 15)	34,000	34,000

15. Loans

	2003 £'000	2002 £'000
Repayable in full on 21 October 2006 (note 14):		
Inter-company loan at 8.415% per annum.	34,000	34,000

Notes to the financial statements

at 31 December 2003

16. Deferred taxation

The movements in deferred taxation during the current year are as follows:

	£'000
At 1 January 2003	9,412
Credit for the year (note 6)	(1,869)
At 31 December 2003	7,543

Deferred taxation provided in the financial statements is as follows:

	2003 *£'000*	*2002* *£'000*
Capital allowances in advance of depreciation	8,280	10,188
Other timing differences	(737)	(776)
	7,543	9,412

There is no unprovided deferred taxation.

17. Share capital

		Authorised		*Allotted, called up and fully paid*
	2003	*2002*	*2003*	*2002*
	No	*No*	*£'000*	*£'000*
Ordinary shares of £1 each	60,000,000	60,000,000	42,300	42,300

18. Reserves

	Profit and loss account *£'000*
At 1 January 2003	16,848
Profit for the financial year	3,172
Dividends	(1,093)
At 31 December 2003	18,927

19. Reconciliation of equity shareholders' funds

	2003	*2002*

Notes to the financial statements

at 31 December 2003

	£'000	£'000
Profit for the financial year	3,172	6,802
Dividends	(1,093)	(2,785)
Equity shareholders' funds at 1 January	59,148	55,131
Equity shareholders' funds at 31 December	61,227	59,148

20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £343,000 (2002: £629,000).

21. Pension commitments and other post retirement benefits

a) Pensions

SSAP 24

The company's employees participate in the Hydro Polymers Pension Fund (the Scheme), which is a funded scheme of the defined benefit type with assets held separately from the company.

The valuation of the Scheme has been prepared under the requirements of SSAP24.

The pension charge is determined by the Scheme's consulting actuaries, Hewitt Bacon and Woodrow, using the projected unit method. The charge for the year ended 31 December 2003 is based on the valuation which took place on 5 April 2001, supplemented by informal valuations made subsequently.

Main assumptions (% per annum):	*2003*	*2002*
Rate of return on investments	6.8%	6.8%
Rate of increase in salaries	3.75%	3.5%
Average rate of increase in pensions	3.0%	3.0%
Discount rate	5.4%	5.5%
Inflation assumption	2.75%	2.5%
Market value of the scheme's assets (£000's)	65,700	57,300
Level of funding being the actuarial value of assets as a percentage of benefits accrued to members	74.0%	71.9%

The deficit in the Scheme is being recognised as variations from the regular pension cost over 11.1 years, the average expected service lives of the employees. Pension contributions for 2003 were 11.6% of pensionable pay for the first half of the year, and 17% thereafter, (2002: 11.6%).

The pension charge for the year was £1,617,000 (2002: £1,501,000). A liability of £839,000 (2002 £728,000) is included within provisions for liabilities and charges, representing the excess of cumulative amounts of pension cost charged to the profit and loss account over the cumulative amounts paid to the Scheme.

Notes to the financial statements

at 31 December 2003

21. Pension commitments and other post retirement benefits (continued)

FRS 17

A full actuarial valuation of the Scheme was carried out as at April 2001, which was updated to 31 December 2003 for the purposes of meeting the requirements of FRS17

Main assumption (% per annum):	*2003*	*2002*
Rate of return on investments	6.8%	6.8%
Rate of increase in salaries	3.75%	3.5%
Average rate of increase in pensions	3.0%	3.0%
Discount rate	5.4%	5.5%
Inflation assumption	2.75%	2.5%

Contributions of 11.6% of pensionable pay were made to the Scheme for the first half of the year and then rose to 17% for the second half of the year. Future contributions are to continue at 17%.

The assets and liabilities of the Scheme and the expected rates of return were:

	Long term rate of return expected at 31 December 2003 %	*Value at 31 December 2003 £'000*	*Long term rate of return expected at 31 December 2002 %*	*Value at 31 December 2002 £'000*
Equities	7.3	39,514	7.0	33,886
Bonds	4.8	25,048	4.5	23,401
Other	4.8	67	4.5	384
Total market value of assets		64,629		57,671
Total market value of liabilities		(93,080)		(85,425)
Net pension liability before deferred tax		(28,451)		(27,754)
Related deferred tax asset		8,535		8,326
Net pension liability after deferred tax		(19,916)		(19,428)

Analysis of amount that would have been charged to operating profit

	2003 Pension Fund £'000	*Post retirement benefits Scheme £'000*
Current service cost	1,895	27
Past service costs	153	-
Total operating charge	2,048	27

Notes to the financial statements

at 31 December 2003

21. Pension commitments and other post retirement benefits (continued)

Analysis of amount that would have been credited to other finance income

	Pension Fund £'000	*2003 Post retirement benefits Scheme £'000*
Expected return on scheme assets	3,434	-
Interest on scheme liabilities	(4,697)	(76)
Net return	(1,263)	(76)

Analysis of amount that would have been recognised in Statement of Total Recognised Gains and Losses

	Pension Fund £'000	*Post retirement benefits Scheme £'000*
Actual return less expected return on scheme assets	5,128	-
Experience gains and losses arising on the scheme liabilities	(102)	(60)
Changes in assumptions underlying the present value of the scheme liabilities	(3,919)	-
Actuarial gain/(loss) recognised in STRGL	1,107	(60)

Analysis of movement in surplus during the year

	Pension Fund £'000	*Post retirement benefits Scheme £'000*
Deficit in scheme at beginning of year	(27,754)	(1,346)
Current service cost	(1,895)	(27)
Contributions/premiums paid	1,507	43
Past service costs	(153)	-
Other finance income	(1,263)	(76)
Actuarial gain	1,107	(60)
Deficit in scheme at end of year	(28,451)	(1,466)

Notes to the financial statements

at 31 December 2003

21. Pension commitments and other post retirement benefits (continued)

History of experience gains and losses

	Pension Fund £'000	*Post retirement benefits Scheme £'000*
Difference between expected and actual return on scheme assets:		
• Amount	5,128	-
• Percentage of scheme assets (%)	7.9%	-
Experience losses on scheme liabilities:		
• Amount	(102)	(60)
• Percentage of the present value of the scheme liabilities (%)	(0.1%)	(4.1%)
Total amount recognised in STRGL:		
• Amount	1,107	(60)
• Percentage of the present value of the scheme liabilities (%)	1.2%	(4.1%)

Reconciliation of net assets and reserves under FRS17

Net assets

	2003 £'000	*2002 £'000*
Net assets as stated in balance sheet	61,227	59,148
SSAP24 balance	839	728
UITF6 balance	1,466	1,346
Related deferred tax	(692)	(622)
Net assets excluding defined benefit liabilities	62,840	60,600
FRS17 pension liabilities	(19,916)	(19,428)
FRS17 post retirement defined benefit liabilities	(1,026)	(942)
Net assets including defined benefit liabilities	41,898	40,230

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Notes to the financial statements

at 31 December 2003

21. Pension commitments and other post retirement benefits (continued)

Reserves

	2003	*2002*
	£'000	*£'000*
Profit and loss reserve as stated in balance sheet	18,927	16,848
SSAP24 balance	839	728
UITF6 balance (note 21(b))	1,466	1,346
Related deferred tax asset	(692)	(622)
Profit and loss reserve excluding amounts relating to defined benefit liabilities	20,540	18,300
FRS17 pension liabilities	(19,916)	(19,428)
FRS17 post retirement deferred benefit liabilities	(1,026)	(942)
Profit and loss deficit including amounts relating to defined benefit liabilities	(402)	(2,070)

(b) Post retirement benefits

UITF 6

The company operates an unfunded defined benefit plan which provides certain employees and immediate family members with additional post retirement healthcare benefits.

There are approximately 87 employees, former employees and immediate family members eligible to receive benefits under the Scheme. The liabilities in respect of these benefits are assessed by qualified independent actuaries applying the projected unit method.

The charge for the year is £163,000 (2002: a credit of £78,000).

The main assumptions used in the calculation are:	*2003*	*2002*
	% per annum	*% per annum*
Rate of increase in private medical expense inflation	3.75	3.50
Discount rate	5.50	5.50
Rate of increase in salaries	3.75	3.50
Inflation assumption	2.75	2.50

The rates of mortality are based on standard mortality tables.

	2003	*2002*
	£'000	*£'000*
Present value of plan liability	(1,466)	(1,346)
Related deferred tax asset	440	404
Net defined benefit liability	(1,026)	(942)

The contributions to the scheme in the year were £43,000 (2002: £37,000).

Notes to the financial statements
at 31 December 2003

22. Accruals and deferred income

	Deferred government grants	
	2003	*2002*
	£'000	*£'000*
Balance at 1 January	425	487
Released during the year	(62)	(62)
Received during the year	80	-
Balance at 31 December	443	425

23. Other financial commitments

At 31 December 2003 and 31 December 2002 the company had annual commitments under non-cancellable operating leases, none of which related to land and buildings, as follows:

	2003	*2002*
	£'000	*£'000*
Operating leases which expire:		
within one year	314	382
within two to five years	124	49
	438	431

24. Parent undertaking and related parties

The company's immediate parent undertaking is Norsk Hydro (UK) Limited which does not prepare group financial statements. The company's ultimate parent undertaking and controlling party is Norsk Hydro ASA, which is incorporated in Norway. The company's financial statements are included in Norsk Hydro ASA's group financial statements. Copies of its group financial statements are available from BygdØy Alle2, N-0240 Oslo 2, Norway.

The company has taken advantage of the exemption in paragraph 17 of FRS 8 regarding exemption from disclosing transactions with other group companies and investees of the group.

There are no other related party disclosures required.

25. Contingent liabilities

In the opinion of the directors there are no material contingent liabilities which require provision or disclosure in these financial statements.

26. Post balance sheet events

There are no post balance sheet events that require disclosure.