DEGUSSA UK HOLDINGS LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2003

Registered Number: 2695034

Degussa UK Holdings Limited

Directors' report and financial statements

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Directors' report

The Directors present their annual report, together with the audited financial statements of the Company, for the year ended 31 December 2003.

Principal activities

Degussa UK Holdings Ltd is a holding company and did not engage in any trading activities during the period. The principal activities of the Company are concerned with deriving income from investments in subsidiary undertakings. This situation is expected to continue for the foreseeable future.

Business review

The Directors have prepared the accounts on a going concern basis as they maintain that there are sufficient distributable reserves in the Company's subsidiaries to offset the net current liabilities of the Company.

	2003	2002
	£'000	£'000
Profit/(loss) before taxation	**43,877**	(126,033)
Taxation	**(569)**	2,175
Profit/(loss) for the year transferred to reserves	**43,308**	(123,858)

Dividends

The Company had insufficient distributable reserves in the current or preceding year to recommend any interim or final dividends.

Auditors

On 21 February 2002, the Company passed an elective resolution pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually. KPMG Audit Plc will continue to act as auditors of the Company.

At the forthcoming Annual General Meeting a resolution will be proposed to replace KPMG Audit Plc with KPMG LLP as the auditor of the company.

Post balance sheet event

As at the balance sheet date, RAG AG and E.ON AG each owned 46.48% of the share capital of Degussa AG. Neither E.ON AG nor RAG AG consolidated Degussa AG in their group accounts. Consequently, Degussa AG was the ultimate parent company of Degussa UK Holdings Limited. With effect on and from 1 June 2004, E.ON AG transferred to RAG AG 3.62% of the share capital of Degussa AG leaving RAG AG as majority shareholder with 50.1% of the share capital of Degussa AG. Consequently with effect from 1 June 2004, RAG AG is the ultimate parent company of Degussa UK Holdings Limited.

Directors' report continued

Directors and directors' interests

The officers that served during the year and after the balance sheet date are as follows:

D C M Andrews	Director	
Dr U-H Felcht	Director	(resigned 28.03.03)
Dr B Hofmann	Director	(appointed 01.01.03)
G A Chapple	Director	
A J Savage	Director	(resigned 28.02.03)
P R C Rodger	Director	(resigned 31.07.03)
J L Hamilton	Company Secretary	

DCM Andrews held one 50p ordinary share in the Company at the beginning and end of the year.
None of the other directors held any beneficial interest in the shares of the company at any time. The ultimate parent company as at the balance sheet date, Degussa AG is incorporated in Germany. Therefore, pursuant to s3 of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, directors' interests of the ultimate parent are not shown.

By order of the Board

DCM Andrews
Director
3 December 2004

66 Wigmore Street
London
W1U 2HQ

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- 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 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.

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Degussa UK Holdings Limited

We have audited the financial statements on pages 5 to 20.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
6 December 2004

Profit and Loss Account
for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administrative expenses	2	(9,725)	(4,227)
Other operating income	2	27,338	13,809
Operating profit		17,613	9,582
Profit on disposal of investments	3	347	-
Recharge of disposal costs	4	-	591
Interest receivable and similar income	5	2,292	23,404
Amounts written back/(off) investments	6	44,526	(125,000)
Interest payable and similar charges	5	(20,901)	(34,610)
Profit / (loss) on ordinary activities before taxation		43,877	(126,033)
Tax on profit / loss on ordinary activities	7	(569)	2,175
Retained profit / (loss) for the year	16	43,308	(123,858)

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis. All activities are of a continuing nature. There are no recognised gains and losses other than in the profit and loss account.

Balance Sheet
at 31 December 2003

Investments	8		1,002,761		958,235
Current Assets					
Debtors falling due within one year	10	22,351		43,000	
Debtors falling due after one year	10	21,429		17,941	
Total debtors		43,780		60,941	
Cash at bank and in hand	11	68		17,866	
		43,848		78,807	
Creditors falling due within one year	12	(677,551)		(714,737)	
Net current liabilities			(633,703)		(635,930)
Total assets less current liabilities			369,058		322,305
Creditors falling due after one year	13		(23,900)		-
Provisions for liabilities and charges	14		(59,990)		(80,445)
Net assets			285,168		241,860
Capital and reserves					
Called up share capital	15		98,423		98,423
Share premium account	16		195,007		195,007
Capital redemption reserve	16		64,182		64,182
Merger reserve	16		124,800		124,800
Profit and loss account	16		(197,244)		(240,552)
Equity shareholders' funds			285,168		241,860

The accounts on pages 5 to 20 were approved by the Board on 3 December 2004 and signed on its behalf by:

DCM Andrews
Managing Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003	2002
	£'000	£'000
Profit / (loss) for the financial year	**43,308**	(123,858)
Net addition / (reduction) to shareholders' funds	**43,308**	(123,858)
Shareholders' funds at start of year	**241,860**	365,718
Shareholders' funds at end of year	**285,168**	241,860

Notes to the financial statements

1. Principal 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 accounting
The Company's financial statements have been prepared under the historical cost convention in accordance with applicable UK Accounting Standards.

The Company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its 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 company includes the Company in its own published consolidated financial statements.

As at the balance sheet date, the Company is a wholly owned subsidiary of Degussa AG (a company registered and incorporated in Germany), the Company has taken advantage of the exemption in FRS 8 and has not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Degussa AG, within which this company is included, can be obtained from Bennigsenplatz 1, D-40474, Düsseldorf.

The directors have prepared the accounts on a going concern basis as they maintain that there are sufficient distributable reserves in the Company's subsidiaries to offset the net current liabilities of the Company.

Fixed assets investments
Shares in group undertakings are stated at cost less any permanent diminution in value.

Pensions
The company uses SSAP 24 to account for pension costs. The excess of the actuarial surplus over the pension prepayment is spread as a level amount each year over the average remaining service life of the employees in the scheme. This variation from cost together with the regular cost, augmentations and interest on the prepayment are shown as net pension costs.

Gilts
Gilts are accounted for at historical acquisition cost less any impairments for permanent diminution in value.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or the forward cover rate. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation
Current tax is provided on the company's profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)

2. Operating profit / (loss), directors and employees

	2003	2002
	£'000	£'000
Operating profit / loss is stated after charging/(crediting):		
Auditor's remuneration for audit work	75	53
Auditor's remuneration for other work	15	24
Administration services provided by subsidiary companies	3,615	4,214
Management fees for services provided to other group companies	(3,849)	(4,425)
Net pension income (see note 18)	(4,540)	(3,917)

Degussa UK Holdings Ltd incurs the audit costs on behalf of certain other Group companies.

The company has had no employees since 30 June 2001. All the directors are employees of other Group undertakings and receive no emoluments in respect of services provided to the Company.

The company continued payment of pensions under approved unfunded pension arrangements to former directors and their widows of £102,780 (2002: £100,417).

3. Profit on disposal of investments

	2003	2002
	£'000	£'000
Profit on disposal of investments	347	-

As described in note 8, the Company sold its entire investment in Ineos Noteco Ltd for a profit of £346,595.

4. Disposal costs

	2003	2002
	£'000	£'000
Recharge of disposal costs	-	591

The prior year income of £0.6m represented recharges to subsidiary undertakings to adjust the profit or loss on shares or assets sold to KL Holdings Inc that the Company had expensed in the period ending 31 December 2000.

Notes to the financial statements (continued)

5. Interest and other income and charges

	2003 £'000	2002 £'000
Other interest receivable and similar income		
Amounts owed by group undertakings	**1,724**	17,510
Bank interest receivable	**351**	5,619
Other interest income	**125**	275
Net exchange gains	**92**	-
	2,292	23,404
Interest payable and similar charges		
Amounts owed to group undertakings	**(19,368)**	(17,149)
Bank interest payable	**(683)**	(7,303)
Other interest payable	**(850)**	(1,943)
Net exchange losses	**-**	(8,215)
	(20,901)	(34,610)

Other interest income includes £125,362 (2002: £123,029) of interest earned on Gilts and £nil (2002: £151,968) in respect of late settlement of debt from third parties.

6. Amounts written back/(off) investments

	2003 £'000	2002 £'000
Investment in participating interests	**(474)**	-
Investments in subsidiary undertakings	**45,000**	(125,000)
	44,526	(125,000)

Amounts written off participating interests represent an impairment of the investment in Phoenix Chemicals Limited as described in note 8. Amounts written off investments in subsidiary undertakings represent a current year impairment reversal and prior year impairment in respect to the Company's investment in the subsidiary Laporte Speciality Organics Limited as described in note 8.

Notes to the financial statements (continued)

7. Tax on loss on ordinary activities

	2003 £'000	2002 £'000
UK Corporation tax credit at 30% *(2002:30%)*	5,134	2,869
Adjustments relating to prior years	(4,077)	-
Current tax credit	1,057	2,869
Deferred taxation charge for year (see note 14)	(1,626)	(694)
Net tax (charge) / credit	(569)	2,175

There is currently no unprovided deferred taxation *(2002: £nil)*.

Factors affecting the tax credit for the current period

The current tax credit (2002: credit) for the period differs from the standard rate of corporation tax in the UK (30%) (2002:30%). The differences are explained below.

	2003 £'000	2002 £'000
Current tax reconciliation		
Profit / (loss) on ordinary activities before tax	43,877	(126,033)
Expected current tax (charge) / credit at 30% (2002:30%)	(13,163)	37,810
Effects of:		
Expenses not deductible for tax purposes :		
- On amounts written off investments	13,358	(37,500)
- On other items (primarily provisions)	(1,756)	2,869
Income not taxable (primarily profit on disposal and provision releases)	5,629	384
Adjustments in repect of prior years	(4,077)	-
Timing differences	1,066	(694)
Total current tax credit (see above)	1,057	2,869

Notes to the financial statements (continued)

8. Investments

	Shares in group undertakings £'000	Gilts £'000	Participating interests £'000	Total £'000
At 1 January 2003	952,873	4,888	474	958,235
Impairment	-	-	(474)	(474)
Reversal of prior year impairment	45,000	-	-	45,000
At 31 December 2003	**997,873**	**4,888**	-	**1,002,761**

The value of the Company's investment in the subsidiary undertaking Laporte Speciality Organics Limited was increased as a result of a £45m partial reversal of the investment impairments made in 2001 and 2002 totalling £175m.

The investment in participating interest represents an investment of 10% in the ordinary shares of Phoenix Chemicals Ltd - an unquoted company involved in the development and manufacture of industrial chemicals. In the opinion of the directors, this investment has suffered a permanent diminution in its value and as such an impairment of £473,999 has been recorded in the accounts.

On 15 July 2003, the Company acquired 100% of the share capital of Ineos Noteco Ltd for £1 from Ineos Delta 2 Ltd, an unrelated third party. Following the transactions as described in note 12, the Company sold its entire investment in Ineos Noteco Ltd for £346,596 to Hawkslease Finance Company Ltd, an unrelated third party on 25 July 2003.

The index-linked gilts are listed on the London Stock Exchange and act as security against unapproved unfunded pension obligations that are provided for in subsidiary undertakings. The open market value of the Gilts based on the Stock Exchange value as at 31 December 2003 is £5,355,687.

9. Subsidiaries

Details of the company's subsidiary undertakings are as follows:

Name of company	*Country of registration, incorporation and operation*	*Holding %*	*Class of shares held*	*Nature of business*
Subsidiary undertakings				
Degussa Amalgamation Limited	England	100	Ordinary	Holding Company
Laporte Specialty Organics Ltd	England	100	Ordinary	Holding Company
Trustees held by the Company				
EG Pension Trust Ltd	England	100	Ordinary	Pension scheme trustee
Laporte Group Pension Trustees Ltd	England	100	Ordinary	Pension scheme trustee
Laporte Quest Trustees Ltd	England	100	Ordinary	SAYE scheme trustee

Notes to the financial statements (continued)

10. Debtors

	2003 £'000	2002 £'000
Falling due within one year		
Amounts owed by other group entities	349	567
Taxation	21,873	42,259
Other debtors	129	174
	22,351	43,000
Falling due after one year		
Pension prepayment (see note 18)	21,429	17,941

11. Cash at bank and in hand

	2003 £'000	2002 £'000
Cash at bank	68	-
Short-term deposits	-	17,866
	68	17,866

Short term deposits in the prior year comprised £17.9m that was pledged with Toronto-Dominion who guaranteed floating rate unsecured loan notes of the same amount relating to the acquisition of Inspec Group plc. Toronto-Dominion have been released from their guarantee and been replaced by Degussa AG.

Notes to the financial statements (continued)

12. Creditors falling due within one year

	2003 £'000	2002 £'000
Unsecured loan notes	**4,632**	35,102
Bank loans and overdrafts	**36,472**	2,901
Amounts owed to group undertakings	**628,940**	675,089
Other creditors	**7,507**	1,645
	677,551	714,737

On 11 September 1998, the Company created Floating Rate Unsecured Loan Notes 2008 up to a maximum nominal amount of £149,821,749, to be issued in connection with the acquisition of the ordinary share capital of Inspec Group plc (now Laporte Specialty Organics Limited). Loan notes totalling £74,861,466 were issued between 15 September 1998 and 17 November 1998 to certain Inspec Group plc shareholders in consideration of their acceptance of the recommended offer for Inspec. The loan notes bear interest at 1% per annum below LIBOR. The total value of the loan notes outstanding on 31 December 2003 was £4,632,063. Since 2 July 2002, the Company may redeem all remaining loan notes, provided that at least 75% of the loan notes issued have by then been redeemed or repaid and the Company must redeem all remaining loan notes by 2 January 2008.

On 25 July 2003, £23,899,714 of Floating Rate Unsecured Loan Notes were replaced by a debenture loan (of an equivalent amount) from the Company's subsidiary Ineos Noteco Limited. The debenture loan bears interest at the same rate as the Floating Rate Unsecured Loan Notes. Ineos Noteco Ltd is not entitled to require repayment of the debenture loan until 2 October 2005 – being two years after the first quarterly interest payment following the disposal of Ineos Noteco Limited to an unrelated third party on 25 July 2003, as described in note 8. The debenture loan has been included in creditors falling due after more than one year.

13. Creditors falling due after one year

	2003 £'000	2002 £'000
Debenture loan	**23,900**	-

As described in note 12, the lender Ineos Noteco Ltd cannot require repayment of the debenture loan until 2 October 2005. The Company is entitled to repay the debenture loan at any time. There is no charge over any assets of the company in respect of the debenture loan. The debenture loan bears interest at 1% per annum below LIBOR payable quarterly.

Notes to the financial statements (continued)

14. Provisions for liabilities and charges

	Warranties, indemnities and other £'000	Deferred taxation £'000	Total £'000
At beginning of year	(75,622)	(4,823)	(80,445)
Charge for the year	(52)	(1,626)	(1,678)
Released in the year	17,366	-	17,366
Utilised in the year	4,767	-	4,767
At end of year	(53,541)	(6,449)	(59,990)

Warranties, indemnities and other provisions

The warranties and indemnities provision relates primarily to existing or future claims arising under business and share sale agreements where the company has guaranteed or procured the performance of subsidiary undertakings. Provisions in respect of existing claims will either be utilised or released when the obligations of the claim have been resolved. Provisions in respect of future claims will be released at the expiry of the warranty period unless a claim has been received.

Deferred taxation

The provision for deferred taxation of £6.4m at the balance sheet date relates mainly to the expected reduction in pension prepayment over the life of the Laporte Group Pension Trust (see note 18). This is expected to move, in future years, in line with movements on the pension prepayment.

There are no unprovided deferred taxation amounts (2002: £nil).

15. Called up share capital

	Ordinary shares of 50p each	
	£'000	No. '000
Authorised		
At start and end of year	130,000	260,000
Issued and fully paid		
At start and end of year	98,423	196,845

Notes to the financial statements (continued)

16. Reserves

	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss £'000	Total £'000
Balance at start of year	195,007	64,182	124,800	(240,552)	143,437
Retained profit for the financial year	-	-	-	43,308	43,308
Balance at end of year	**195,007**	**64,182**	**124,800**	**(197,244)**	**186,745**

17. Ultimate holding company

The Company's immediate holding company is Degussa SKW Co., a company registered and incorporated in England and Wales. The Company's ultimate holding company as at the balance sheet date is Degussa AG, a company registered and incorporated in Germany. The consolidated financial statements of Degussa AG can be obtained from Bennigsenplatz 1, D-40474, Düsseldorf.

18. Pensions commitments

The Laporte Group Pension Trust is divided into a number of sections, defined benefit, hybrid arrangements and a defined contribution scheme. The Trust's schemes are funded within a separately administered fund. The Trust provides pension arrangements on behalf of many employers within the Degussa group including Degussa UK Holdings Ltd.

Defined contribution scheme:

Contributions for the defined contribution scheme remain between 3% and 20.25% depending on the member's age. There was no charge to the profit and loss account during the year in respect of this scheme as the company has no employees.

Defined benefit schemes and hybrid arrangements:

Contributions to the Trust vary depending on whether the member is part of the defined benefit or hybrid arrangements. Until 31 March 2001, when independent actuaries last valued the Trust, contributions by the employers varied between 4% and 12.9%. Following the results of the valuation, with effect from 1 April 2001, employer's regular contributions to the Trust have been decreased to 0% of pay for the members with defined benefits arrangements and between 0% and 5% for members with hybrid arrangements.

Notes to the financial statements (continued)

Note 18 Pensions commitments (continued)

The valuations used the projected unit method and were carried out based on two different sets of actuarial assumptions, a 'best estimate' set for accounting purposes (as required by SSAP 24) and a more conservative set for funding purposes. The range of principal actuarial assumptions used in respect of the Trust is shown below. They are expressed in real terms; that is relative to the assumed price inflation of 2.5% per annum

	Funding basis %	SSAP 24 basis %
Long term real average annual rate:		
Return on investments – before retirement	2.75	3.50
Return on investments – after retirement	2.75	3.50
General increase in pensionable remuneration	1.5	1.5
Increase in current and future pensions prepayments	0.0	0.0

Position shown by the valuation:

Market values of assets	£288.6m
Funding level – funding basis	110%
Funding level – SSAP 24 basis	124%

The table below shows the how the pension prepayment and related deferred tax liability have moved during the year.

	Pension prepayment £'000	Related deferred tax £'000
Balance at start of year	17,941	(5,382)
Contributions paid in to the Trust	1,613	(484)
Net pension income	1,875	(563)
Balance at end of year	**21,429**	**(6,429)**

The net pension income shown above represents the total of regular cost, augmentations, variations from cost and interest on the prepayment for the defined benefit and hybrid arrangements. The pension income for the year included within operating profit of £4.5m in note 2 includes an additional £2.6m in respect of amounts recharged to other participating members for their share of the regular cost and augmentations.

Notes to the financial statements (continued)

Note 18 Pensions commitments (continued)

The Company has not yet fully adopted FRS 17 but transitional arrangements require certain disclosures. A qualified independent actuary carried out an assessment as at 31 December 2003 based on the previous formal valuation as at 31 March 2001.

The major assumptions used in the valuation of the defined benefit scheme under FRS 17 were:

	2003	2002
	% per annum	% per annum
Inflation	2.5	2.25
Salary increase	4.5	3.75
Rate of increase of pensions in payment	2.5	2.25
Rate of increase of deferred pensions	2.5	2.25
Discount rate	5.4	5.75

The discount rate is based on the yield on AA-rated corporate bonds of appropriate duration. The other assumptions used are best estimates chosen from a range of possible assumptions, which may not necessarily be borne out in practice.

The expected rates of return and the assets in the scheme on an FRS 17 basis were:

Rates of return	**2003**	2002
	%	%
Equities	8.5	8.5
Property	7.0	6.5
Bonds	5.0	5.0
Other	3.5	4.0

Assets in the scheme	**2003**	2002
	£'000	£'000
Equities	66,808	61,050
Property	15,700	14,853
Bonds	168,300	163,829
Other	6,000	6,056
Total market value of assets	256,808	245,788
Present value of scheme liabilities	(225,900)	(226,400)
Surplus in the scheme	30,908	19,388
Irrecoverable surplus	-	-
Recoverable surplus in the scheme	30,908	19,388
Deferred tax liabilty	(9,272)	(5,816)
Net pension asset	21,636	13,572

Employees of a number of UK companies within the Degussa Group are members of this scheme, therefore this pension asset is not entirely attributable to Degussa UK Holdings Limited.

Notes to the financial statements (continued)

Note 18 Pensions commitments (continued)

Movements in surplus during the year	**2003**	2002
	£'000	£'000
Surplus in the scheme at the beginning of the year	19,388	41,530
Contributions paid	615	-
Current service cost	(920)	(1,134)
Past service cost	(587)	-
Other finance income	1,574	2,492
Actuarial gain / (loss)	10,838	(23,500)
Surplus in the scheme at the end of the year	30,908	19,388

The amounts required to be disclosed by FRS17 in respect of the performance statements were:

Analysis of amounts that would have been charged to operating profit in respect of defined benefit schemes	**2003**	2002
	£'000	£'000
Current service cost	920	1,134
Past service cost	587	-
Total operating charge	1,507	1,134

The total operating charge would be shared between all the participating employers in the Trust such that the Company would not show all of this charge in its profit and loss account.

Analysis of amounts that would have been credited to other finance income	**2003**	2002
	£'000	£'000
Expected return on scheme assets	14,242	15,072
Interest on scheme liabilities	(12,668)	(12,580)
Net credit to other finance income	1,574	2,492

Analysis of amounts that would have been recognised in the statement of recognised gains and losses	**2003**	2002
	£'000	£'000
Actual return less expected return on scheme assets	11,007	(14,244)
Experience gains / (losses) arising on scheme liabilities	16,147	(2,056)
Changes in assumptions underlying the present value of scheme liabilities	(16,316)	(7,200)
Actuarial gains / (losses) recognised in statement of total recognised gains and losses	10,838	(23,500)

Notes to the financial statements (continued)

Note 18 Pensions commitments (continued)

History of experience gains and losses	**2003** **£'000**	2002 £'000
Differerence between the actual and expected return on scheme assets:		
Amount	11,007	(14,244)
Percentage of scheme assets	4.3%	5.8%
Experience gains / (losses) in scheme liabilities		
Amount	16,147	(2,056)
Percentage of scheme liabilities	7.2%	0.9%
Total gain / (loss) recognised in statement of total recognised gains and losses		
Amount	10,838	(23,500)
Percentage of scheme liabilities	4.8%	10.4%