

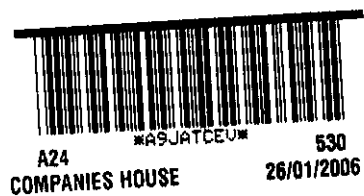
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***DEGUSSA UK HOLDINGS LIMITED***

**Directors' Report and Financial Statements**

**for the year ended 31 December 2004**

***Registered Number: 2695034***



# Degussa UK Holdings Limited

## Directors' report and financial statements

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# Degussa UK Holdings Limited

## Directors' report

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2004.

### 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.

	2004 £000	2003 £000
(Loss)/profit before taxation	(147,176)	43,877
Taxation	9,957	(569)
(Loss)/profit for the year transferred to reserves	<u>(137,219)</u>	<u>43,308</u>

### 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.

It is proposed to put before the members a resolution to appoint PricewaterhouseCoopers LLP in place of the retiring auditors, KPMG LLP, and to authorise the directors to fix their remuneration.

## Degussa UK Holdings Limited

### Directors' report continued

#### Directors and directors' interests

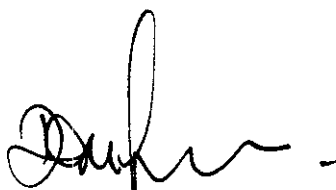
The officers that served during the year and after the balance sheet date are as follows:

D C M Andrews	Director	
B Hofmann	Director	
G A Chapple	Director	(Resigned 30.11.2005)
J L Hamilton	Company Secretary	(Resigned 25.02.2005)
JPR Lipman	Company Secretary	(Appointed 25.02.2005)

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, RAG AG is incorporated in Germany. Therefore, pursuant to Section 3 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*  
*20 January 2006*

*Tego House*  
*Chippenham Drive*  
*Kingston*  
*Milton Keynes*  
*MK10 0AF*

## Degussa UK Holdings Limited

### **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 LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

## **Report of the independent auditors 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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*  
KPMG LLP  
Chartered Accountants  
Registered Auditor

*24 January 2005*

# Degussa UK Holdings Limited

## Profit and Loss Account

for the year ended 31 December 2004

	Note	2004 £000	2003 £000
Administrative expenses	2	1,388	(9,725)
Other operating income	2	1,989	27,338
<b>Operating profit</b>		<b>3,377</b>	<b>17,613</b>
Profit on disposal of investments	3	-	347
Interest receivable and similar income	4	2,314	2,292
Amounts written off investments	5	(117,000)	44,526
Interest payable and similar charges	4	(35,867)	(20,901)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(147,176)</b>	<b>43,877</b>
Tax on (loss) / profit on ordinary activities	6	9,957	(569)
<b>Retained (loss)/profit for the year</b>	14	<b>(137,219)</b>	<b>43,308</b>

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.

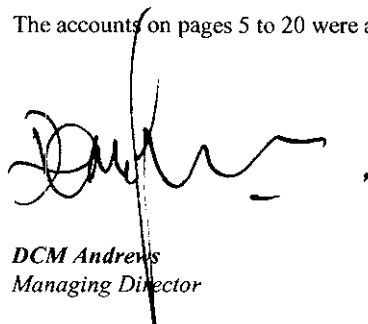
# Degussa UK Holdings Limited

## Balance Sheet

at 31 December 2004

	Note	2004		2003	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Investments	7		885,761		1,002,761
<b>Current Assets</b>					
Debtors falling due within one year	9	25,607		22,351	
Debtors falling due after one year	9	21,309		21,429	
Total debtors		<u>46,916</u>		<u>43,780</u>	
Cash at bank and in hand		-		68	
		<u>46,916</u>		<u>43,848</u>	
Creditors falling due within one year	10	<u>(704,518)</u>		<u>(677,551)</u>	
<b>Net current liabilities</b>			<u>(657,602)</u>		<u>(633,703)</u>
<b>Total assets less current liabilities</b>			228,159		369,058
<b>Creditors falling due after one year</b>	11		(23,900)		(23,900)
<b>Provisions for liabilities and charges</b>	12		(56,310)		(59,990)
<b>Net assets</b>			<u>147,949</u>		<u>285,168</u>
<b>Capital and reserves</b>					
Called up share capital	13		98,423		98,423
Share premium account	14		195,007		195,007
Capital redemption reserve	14		64,182		64,182
Merger reserve	14		124,800		124,800
Profit and loss account	14		(334,463)		(197,244)
<b>Equity shareholders' funds</b>			<u>147,949</u>		<u>285,168</u>

The accounts on pages 5 to 20 were approved by the Board on 20 January 2005 and signed on its behalf by:



DCM Andrews  
Managing Director



## Degussa UK Holdings Limited

### **Reconciliation of movements in shareholders' funds** *for the year ended 31 December 2004*

	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>(Loss) / profit for the financial year</b>	<b>(137,219)</b>	43,308
Net (reduction) / addition to shareholders' funds	<b>(137,219)</b>	43,308
Shareholders' funds at start of year	<b>285,168</b>	241,860
<b>Shareholders' funds at end of year</b>	<b>147,949</b>	285,168

# Degussa UK Holdings Limited

## 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. The company has continued to use the transitional provisions of financial reporting Standard 17 ("FRS17") in respect of pension schemes.

#### **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 which in turn is a 50.1% owned subsidiary of RAG 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 RAG AG, within which this company is included, can be obtained from Rellinhauser Strasse 1-11, 45128 Essen, Germany.

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**

The charge for taxation is based on the loss 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.

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 2. Operating profit, directors and employees

	2004 £000	2003 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Auditor's remuneration for audit work	60	75
Auditor's remuneration for other work	14	15
Administration services provided to other group companies	1,799	3,615
Release of provisions	(3,127)	-
Management fees for services provided to other group companies	(1,989)	(3,849)
Net pension income (see note 16)	(195)	(4,540)

Degussa UK Holdings Ltd incurs the audit costs on behalf of certain other group companies, which for 2004 were included in the administration costs provided by subsidiary companies, being £60k for audit work and £14k for other work

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 £115,113 (2003: £102,780).

### 3. Profit on disposal of investments

	2004 £000	2003 £000
Profit on disposal of investments	-	347

Profit on disposal in the prior year relates to the sale of the Company's entire investment in Ineos Noteco Ltd for a profit of £346,595.

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 4. Interest and other income and charges

	2004 £000	2003 £000
<b>Other interest receivable and similar income</b>		
Receivable from group undertakings	-	1,724
Bank interest receivable	1,006	351
Other interest income	158	125
Corporation tax interest	816	-
Net exchange gains	334	92
	<u>2,314</u>	<u>2,292</u>
<b>Interest payable and similar charges</b>		
Payable to group undertakings	(33,376)	(19,368)
Bank interest payable	(1,493)	(683)
Other interest payable	(998)	(850)
	<u>(35,867)</u>	<u>(20,901)</u>

Other interest income includes £157,581 (2003: £125,362) of interest earned on Gilts

Other interest payable includes £997,924 (2003: £850,590) of interest paid on Loan notes.

### 5. Amounts written off investments

	2004 £000	2003 £000
Investment in participating interests	-	(474)
Investments in subsidiary undertakings	(117,000)	45,000
	<u>(117,000)</u>	<u>44,526</u>

The impairment in subsidiary undertakings in the year ending 31 December 2004 related to Laporte Speciality Organics Limited.

Amounts written off participating interests in the year ended 31<sup>st</sup> December 2003 represents an impairment of the investment in Phoenix Chemicals Limited. Amounts written off investments in subsidiary undertakings in the year ended 31 December 2003 represents an impairment reversal in respect to the company's investment in the subsidiary Laporte Speciality Organics Limited.

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 6. Tax on loss on ordinary activities

	2004 £000	2003 £000
UK Corporation tax credit at 30% (2003:30%)	9,955	5,134
Adjustments relating to prior years	(34)	(4,077)
Current tax credit	9,921	1,057
Deferred taxation credit/(charge) for year (see note 12)	36	(1,626)
Net tax credit / (charge)	9,957	(569)

There is currently no unprovided deferred taxation (2003: £nil).

#### Factors affecting the tax credit for the current period

The current tax credit (2003: charge) for the period differs from the standard rate of corporation tax in the UK (30%) (2003:30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(147,176)	43,877
Expected current tax credit / (charge) at 30% (2003:30%)	44,153	(13,163)
<i>Effects of:</i>		
Expenses not deductible for tax purposes :		
- On amounts written off investments	(35,100)	13,358
- On other items (primarily provisions)	-	(1,756)
Income not taxable (primarily profit on disposal and provision releases)	938	5,629
Adjustments in respect of prior years	(34)	(4,077)
Timing differences	(36)	1,066
Total current tax credit (see above)	9,921	1,057

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 7. Investments

	Shares in group undertakings £000	Gilts £000	Total £000
At beginning of the year	997,873	4,888	1,002,761
Less write downs	(117,000)	-	(117,000)
At the end of the year	<u>880,873</u>	<u>4,888</u>	<u>885,761</u>

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 2004 is £5,697,088, (2003: £5,355.687).

### 8. Subsidiaries

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

<i>Name of company</i>	<i>Country of registration, incorporation and operation</i>	<i>Holding %</i>	<i>Class of shares held</i>	<i>Nature of business</i>
<b>Subsidiary undertakings</b>				
Degussa Amalgamation Limited	England	100	Ordinary	Holding Company
Laporte Speciality Organics Ltd	England	100	Ordinary	Holding Company
<b>Trustees held by the Company</b>				
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

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 9. Debtors

	2004 £000	2003 £000
<b>Falling due within one year</b>		
Amounts owed by group undertakings	121	349
Corporation tax	25,315	21,873
Other debtors	171	129
	<u>25,607</u>	<u>22,351</u>
<b>Falling due after one year</b>		
Pension prepayment (see note 16)	<u>21,309</u>	<u>21,429</u>

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 10. Creditors falling due within one year

	2004	2003
	£000	£000
Unsecured loan notes	3,421	4,632
Bank loans and overdrafts	3	36,472
Amounts owed to group undertakings	699,748	628,940
Other creditors	1,346	7,507
	<u>704,518</u>	<u>677,551</u>

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 2004 was £3,421,299. 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 2008 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. The debenture loan has been included in creditors falling due after more than one year (see note 11).

### 11. Creditors falling due after one year

	2004	2003
	£000	£000
Debenture loan	<u>23,900</u>	<u>23,900</u>

Further to note 10, the company repaid the lender, Ineos Noteco Limited £23,899,714 on the 4 October 2005 in redemption of the loan.



# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 12. Provisions for liabilities and charges

	Warranties, indemnities and other £000	Deferred taxation £000	Total £000
At beginning of year	(53,541)	(6,449)	(59,990)
Charge for the year	-	36	36
Released in the year	2,655	-	2,655
Utilised in the year	989	-	989
At end of year	<u>(49,897)</u>	<u>(6,413)</u>	<u>(56,310)</u>

#### 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 16). This is expected to move, in future years, in line with movements on the pension prepayment.

There are no unprovided deferred taxation amounts (2003: £nil).

### 13. Called up share capital

	Ordinary shares of 50p each	
	£'000	No. '000
<i>Authorised</i>		
At beginning and end of year	<u>130,000</u>	<u>260,000</u>
<i>Issued and fully paid</i>		
At beginning and end of year	<u>98,423</u>	<u>196,845</u>

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 14. Reserves

	Share Premium	Capital Redemption Reserve	Merger Reserve	Profit & Loss
	£000	£000	£000	£000
Balance at start of year	195,007	64,182	124,800	(197,244)
Retained loss for the financial year	-	-	-	(137,219)
	<u>195,007</u>	<u>64,182</u>	<u>124,800</u>	<u>(334,463)</u>

### 15. Ultimate holding company

The Company's immediate holding company is Degussa SKW Co., a company registered and incorporated in England and Wales.

With effect on and from 1<sup>st</sup> June 2004 E.ON AG transferred to RAG AG 3.62% of the share capital of Degussa AG leaving RAG AG as the majority shareholder with 50.1% of the share capital of Degussa AG. Consequently with effect from the 1st June 2004 RAG AG is the ultimate parent company of Degussa UK Holdings Limited. RAG AG is a company registered and incorporated in Germany. The consolidated financial statements of RAG AG can be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.

### 16. 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. An actuarial valuation of the Trust took place as at the 31<sup>st</sup> March 2004. The valuation was finalised on 24<sup>th</sup> March 2005. The results of the valuation were that whilst the contributions for the defined contribution scheme are to remain the same, changes are required to the defined benefit and hybrid arrangements. Employer's regular contributions to the Trust will be increased to 23% (rising to 25% by 2010) of pay for members with defined benefits arrangements and between 5% and 17% for members with hybrid arrangements.

In addition to these regular contributions, the company will be required to pay fixed contributions of £2.5m increasing in line with inflation in order to meet targets imposed by the closed fund basis.

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 16. 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

	<b>Funding basis %</b>	<b>SSAP 24 basis %</b>
<b>Long term real average annual rate:</b>		
Return on investments – before retirement	1.77	3.10
Return on investments – after retirement	1.77	3.50
General increase in pensionable remuneration	Nil	1.50
Increase in current and future pensions prepayments	Nil	Nil
<b>Position shown by the valuation:</b>		
Market values of assets		£263.9m
Funding level – funding basis		90%
Funding level – SSAP 24 basis		105%

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

	<b>Pension prepayment £000</b>	<b>Related deferred tax £000</b>
Balance at start of year	21,429	(6,429)
Contributions paid in to the Trust	411	(123)
Net pension cost	(531)	159
Balance at end of year	<b>21,309</b>	<b>(6,393)</b>

The net pension cost 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 cost for the year included within operating profit of £195,000 in note 8 includes £726,000 in respect of amounts recovered from other participating members for their share of the regular cost and augmentations.

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 16.. 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 30 September 2004 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:

	<b>2004</b>	<b>2003</b>
	<b>% per annum</b>	<b>% per annum</b>
Inflation	2.75	2.5
Salary increase	3.75	4.5
Rate of increase of pensions in payment	2.75	2.5
Rate of increase of deferred pensions	2.75	2.5
Discount rate	5.30	5.4

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:

	<b>%p.a.</b>	<b>%p.a.</b>
Equities	8.75	8.5
Property	6.75	7.0
Bonds	5.00	5.0
Other	4.25	3.5

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

<b>Assets in the scheme</b>	<b>2004</b>	<b>2003</b>
	<b>£'m</b>	<b>£'m</b>
Equities	66.0	66.8
Property	17.5	15.7
Bonds	171.2	168.3
Other	4.4	6.0
Total market value of assets	259.1	256.8
Present value of scheme liabilities	(249.6)	(225.9)
Surplus in the scheme	9.5	30.9
Irrecoverable surplus	-	-
Recoverable surplus in the scheme	9.5	30.9
Deferred tax liability	(2.9)	(9.3)
Net pension asset	6.6	21.6

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 16. Pensions commitments (continued)

<b>Movements in surplus during the year</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Surplus in the scheme at the beginning of the year	30,908	19,388
Contributions paid	411	615
Current service cost	(922)	(920)
Past service cost	-	(587)
Other finance income	3,143	1,574
Actuarial (loss)/ gain	(24,081)	10,838
Surplus in the scheme at the end of the year	<u>9,459</u>	<u>30,908</u>

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

<b>Analysis of amounts that would have been charged to operating profit in respect of defined benefit schemes</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Current service cost	922	920
Past service cost	-	587
Total operating charge	<u>922</u>	<u>1,507</u>

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.

<b>Analysis of amounts that would have been credited to other finance income</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Expected return on scheme assets	14,971	14,242
Interest on scheme liabilities	(11,828)	(12,668)
Net credit to other finance income	<u>3,143</u>	<u>1,574</u>

<b>Analysis of amounts that would have been recognised in the statement of recognised gains and losses</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on scheme assets	1,912	11,007
Experience gains / (losses) arising on scheme liabilities	(5,490)	16,147
Gains/ (loss) on change of assumptions underlying the present value of scheme liabilities	(20,503)	(16,316)
Actuarial gains / (losses) recognised in statement of total recognised gains and losses	<u>(24,081)</u>	<u>10,838</u>

# Degussa UK Holdings Limited

## Notes to the financial statements (continued)

### 16. Pensions commitments (continued)

<b>History of experience gains and losses</b>	<b>2004 £000</b>	<b>2003 £000</b>
Difference between the actual and expected return on scheme assets:		
Amount	1,912	11,007
Percentage of scheme assets	0.7%	4.3%
Experience gains / (losses) in scheme liabilities		
Amount	(5,490)	16,147
Percentage of scheme liabilities	2.2%	7.2%
Total gain / (loss) recognised in statement of total recognised gains and losses		
Amount	(24,081)	10,838
Percentage of scheme liabilities	9.7%	4.8%