

INSPEC FINANCE LIMITED

**Directors' Report and Financial Statements
for the year ended 31 December 2005**

Registered Number: 2685504



Inspec Finance Limited

Directors' report and accounts

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Inspec Finance Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005

Principal activities

The principal activity of the Company is that of investing funds. The situation is expected to continue for the foreseeable future.

Business review

The profit for the current year £6,338,000 (2004: £5,762,000) are shown on page 5 of the financial statements.

Dividends

No interim dividend was paid (2004: nil). The directors do not recommend that a final dividend be paid in respect of the year (2004: nil).

Directors and directors' interests

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

D C M Andrews	Director	
J P R Lipman	Director	(Appointed 24.02.2005)
J L Hamilton	Director	(Resigned 25.02.2005)
Miss G A Stapleton	Secretary	

None of the directors had any interest in the shares of the company at any time during the year.

Charitable and political donations

No charitable or political donations were made in the year (2004: £nil)

Research and development

There were no research and development costs during the year (2004: £nil)

Post-balance sheet events

There were no post-balance sheet events to report

Auditors

By a written resolution of the members dated 8 February 2006, PricewaterhouseCoopers LLP were appointed as auditors for an indefinite period in place of the retiring auditors KPMG LLP.

Inspec Finance Limited

Directors' report (*continued*)

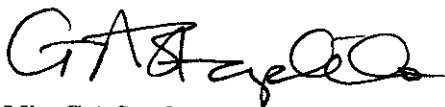
Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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.

By order of the Board



Miss G A Stapleton

Secretary

23 June 2006

Tego House

Chippenham Drive

Kingston

Milton Keynes MK10 0AF

Independent Auditors' report to the members of Inspec Finance Limited

We have audited the financial statements of Inspec Finance Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Inspec Finance Limited

Independent Auditors' report to the members of Inspec Finance Limited (*continued*)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

7 July 2006

Inspec Finance Limited

Profit and Loss Account

for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
Administrative costs		<u>(2)</u>	<u>-</u>
Operating loss	<i>2</i>	<u>(2)</u>	<u>-</u>
Other interest receivable and similar income	<i>4</i>	<u>9,112</u>	<u>8,232</u>
Profit on ordinary activities before tax		<u>9,110</u>	<u>8,232</u>
Tax on profit on ordinary activities	<i>5</i>	<u>(2,772)</u>	<u>(2,470)</u>
Retained profit for the financial year		<u><u>6,338</u></u>	<u><u>5,762</u></u>

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss above and therefore no separate statement of total recognised gains and losses has been prepared.

Inspec Finance Limited

Balance Sheet

at 31 December 2005

	Note	2005 £'000	2004 £'000
Current Assets			
Debtors	6	<u>187,746</u>	<u>180,487</u>
		187,746	180,487
Creditors: amounts falling due within one year	7	<u>(5,196)</u>	<u>(4,275)</u>
Net Assets		<u><u>182,550</u></u>	<u><u>176,212</u></u>
Capital and Reserves			
Called up share capital	8	139,735	139,735
Profit and loss account	9	42,815	36,477
Equity shareholders' funds	10	<u><u>182,550</u></u>	<u><u>176,212</u></u>

The financial statements on pages 5 to 10 were approved by the Board on 23 June 2006 and signed on its behalf by:



J P R Lipman
Director

Inspec Finance 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.

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting standards are set out below.

The company is a wholly-owned subsidiary of Laporte Speciality Organics Limited, and is included in the consolidated financial statements of RAG AG, which are available from Rellinghauser Strasse 1-11, 45128 Essen, Germany. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of RAG AG group or investees of the RAG AG group.

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

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

2. Operating profit / (loss)

Auditors' remuneration was borne by Degussa UK Holdings Limited, a fellow group company.

3. Directors and employees

The company has no employees (2004: *nil*). All the directors are employees of other Group undertakings and receive no emoluments in respect of services to the Company (2004: *nil*).

Inspec Finance Limited

Notes to the financial statements *(continued)*

4. Interest

	2005 £'000	2004 £'000
Other interest receivable		
Interest on amounts due from group companies	<u>9,112</u>	<u>8,232</u>
	<u>9,112</u>	<u>8,232</u>

5. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
UK Corporation tax charge		
Current year	(2,732)	(2,470)
Prior year	(40)	-
	<u>(2,772)</u>	<u>(2,470)</u>

Factors affecting the tax charge for the current period

The current tax charge (2004: charge) for the period equals the standard rate of corporation tax in the UK (30%) (2004:30%).

	2005 £'000	2004 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>9,110</u>	<u>8232</u>
Expected current tax charge @ 30% (2004: 30%)	(2,732)	(2,470)
Prior year adjustment	(40)	-
Total current tax charge (see above)	<u>(2,772)</u>	<u>(2,470)</u>

Inspec Finance Limited

Notes to the financial statements *(continued)*

6. Debtors

	2005 £'000	2004 £'000
Amounts due from group undertakings	<u>187,746</u>	<u>180,487</u>
All amounts are due within one year		

7. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Corporation tax	<u>5,196</u>	<u>4,275</u>

8. Called up share capital

	2005 £'000	2004 £'000
<i>Authorised</i>		
150,000,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
<i>Allotted, called up and fully paid</i>		
139,735,000 ordinary shares of £1 each	<u>139,735</u>	<u>139,735</u>

9. Profit and Loss Reserve

	2005 £'000	2004 £'000
Balance at start of year	36,477	30,715
Retained profit for the year	<u>6,338</u>	<u>5,762</u>
Balance at end of year	<u>42,815</u>	<u>36,477</u>

Inspec Finance Limited

Notes to the financial statements *(continued)*

10. Reconciliation of movements in shareholders' funds.

	2005 £'000	2004 £'000
Profit for the financial year	6,338	5,762
Additions to shareholders funds	<u>6,338</u>	<u>5,762</u>
Shareholders' funds at start of year	176,212	170,450
Shareholders' funds at end of year	<u><u>182,550</u></u>	<u><u>176,212</u></u>

11. Ultimate holding company

The Company's immediate holding company is Laporte Speciality Organics Limited, a company registered and incorporated in England and Wales.

RAG AG is the ultimate parent company of Inspec Finance 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.