

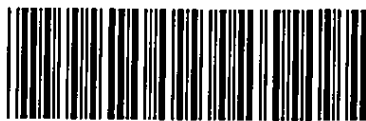
***INSPEC FINANCE LIMITED***

**Directors' Report and Financial Statements**

**for the year ended 31 December 2006**

***Registered Number: 2685504***

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# Inspec Finance Limited

## Directors' report and financial statements for the year ended 31 December 2006

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# Inspec Finance Limited

## Directors' report and financial statements for the year ended 31 December 2006

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2006

### Business review and principal activities

Inspec Finance did not engage in any trading activities during the year. The principal activities of the Company are concerned with deriving income from investments in subsidiary undertakings and unlisted overseas companies.

The results for the company show a pre-tax profit of £9,209,000 for the year (2005 £9,110,000). Net assets for the year were £189,647,000 (2005 £182,550,000).

### Future outlook

The directors consider the future outlook for the company to remain unchanged for the foreseeable future.

### Key performance indicators ("KPIs")

Given the fact that the company is non-trading, the company directors do not use KPIs to manage the business and do not consider them necessary for an understanding of the development, performance or position of the business.

### Principal risks and uncertainties

The principal risks and uncertainties of the company relate to potential fluctuations in the interest rate as described in the financial risk management note below.

### Dividends

The directors recommend that no dividend be paid in respect of the year (2005 nil).

### Directors and their 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	(Resigned 22 05 07)
N Macleod	Director	(Appointed 22 05 07)
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

The company made no charitable or political contributions during the year (2005 £nil).

### Research and development

There were no research and development costs during the year (2005 £nil).

# Inspec Finance Limited

## **Directors' report for the year ended 31 December 2006 (continued)**

### **Financial risk management**

Due to the nature of the company, it has exposure to a limited number of financial risks

#### *Cash management*

As a member of the Evonik Degussa GmbH (formerly Degussa GmbH) cash pool arrangement, the company's cash management is effectively controlled by its German parent organisation. The Evonik Degussa GmbH Treasury function conducts an annual risk assessment exercise, taking into account credit rating information regarding the company, provided by an external credit rating agency. This information is used to provide a risk adjusted interest rate which is applied between the company and its German parent in respect of any loans receivable or payable, on an arms length basis.

#### *Interest Rate and Cash flow Risk*

The company has an interest bearing asset consisting of a loan to its German parent Evonik Degussa GmbH. The interest rate is calculated on an arms length basis and is variable in nature.

The directors have not disclosed the company's financial management objectives and policies nor the company's exposure to price risk, credit risk and liquidity risk as such information is not material for the assessment of the company's assets, liabilities, financial position and profit for the year.

### **Post-balance sheet events**

There were no post-balance sheet events to report.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

## Inspec Finance Limited

### **Directors' report for the year ended 31 December 2006 (continued)**

#### **Auditors and disclosure of information to auditors**

Insofar as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

#### **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

By order of the Board



**Miss G A Stapleton**

*Secretary*

*Tego House*

*Chippenham Drive*

*Kingston*

*Milton Keynes*

*MK10 0AF*

*28 September 2007*

## **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 2006 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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**

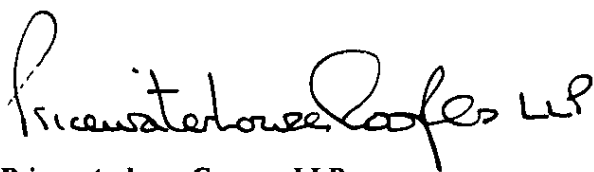
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

### **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 affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Directors' Report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Milton Keynes

4 October 2007

# Inspec Finance Limited

## Profit and Loss Account for the year ended 31 December 2006

		2006	2005
	Note	£'000	£'000
Administrative expenses		-	(2)
<b>Operating result</b>	2	-	(2)
Other interest receivable and similar income	4	9,209	9,112
<b>Profit on ordinary activities before tax</b>		9,209	9,110
Tax on profit on ordinary activities	5	(2,112)	(2,772)
<b>Profit for the financial year</b>		<u>7,097</u>	<u>6,338</u>

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom

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

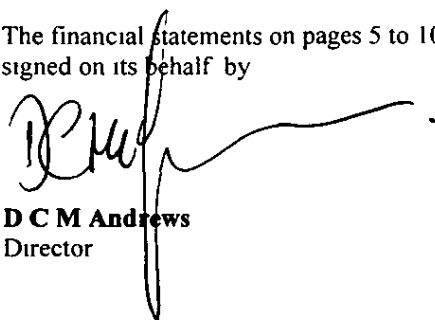
The company has no recognised gains and losses other than those included in the profit and loss above and therefore no separate statement of total recognised gains and losses has been prepared

# Inspec Finance Limited

## Balance Sheet as at 31 December 2006

	<i>Note</i>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Current Assets</b>			
Debtors	6	<u>194,472</u>	<u>187,746</u>
		<b>194,472</b>	<b>187,746</b>
<b>Creditors: amounts falling due within one year</b>	7	<u>(4,825)</u>	<u>(5,196)</u>
<b>Net Assets</b>		<u><b>189,647</b></u>	<u><b>182,550</b></u>
<b>Capital and Reserves</b>			
Called up share capital	8	<b>139,735</b>	<b>139,735</b>
Profit and loss reserve	9	<b>49,912</b>	<b>42,815</b>
<b>Total shareholders' funds</b>	10	<u><b>189,647</b></u>	<u><b>182,550</b></u>

The financial statements on pages 5 to 10 were approved by the board of directors on 28 September 2007 and were signed on its behalf by



**D C M Andrews**  
Director



# **Inspec Finance Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **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 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 Evonik Industries AG (formerly 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 Evonik Industries AG group or investees of the Evonik Industries 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

#### **Financial assets and liabilities**

Financial assets and liabilities are initially recognised at cost and only derecognised once payment has been received / made in the respect of the instruments

### **2. Operating result**

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

### **3. Directors and employees**

The company has no employees (2005 nil). All the directors are employees of other Group undertakings and receive no emoluments in respect of services to the Company (2005 nil)

## **Inspec Finance Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **4. Other interest receivable and similar income**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Interest on amounts due from group companies	<u><b>9,209</b></u>	<u><b>9,112</b></u>

#### **5. Tax on profit on ordinary activities**

<b>Current tax</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on profit for the year	<b>2,763</b>	<b>2,732</b>
Adjustments in respect of prior periods	<b>(651)</b>	<b>40</b>
Total current tax	<u><b>2,112</b></u>	<u><b>2,772</b></u>

The tax assessed for the period is lower (2005 higher) than the standard rate of corporation tax in the UK (30%)  
The differences are explained below

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before tax</b>	<u><b>9,209</b></u>	<u><b>9,110</b></u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	<b>2,763</b>	<b>2,732</b>
Adjustments to tax charge in respect of previous period	<u><b>(651)</b></u>	<u><b>40</b></u>
Current tax charge for the period	<u><b>2,112</b></u>	<u><b>2,772</b></u>

# Inspec Finance Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 6. Debtors

	2006 £'000	2005 £'000
<b>Amounts due within one year</b>		
Amounts due from group undertakings	<u>194,472</u>	<u>187,746</u>

The company has an interest bearing asset consisting of a loan to its German parent Evonik Degussa GmbH. The interest rate is calculated on an arms length basis and is variable in nature. At 31 December 2006 the interest rate was 5.24%. There are no fixed repayment terms, but the loan could be recalled at any time.

### 7. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Corporation tax	874	5,196
Amounts owed to group undertakings	<u>3,951</u>	<u>-</u>
	<u>4,825</u>	<u>5,196</u>

The amounts owed to group undertakings are non-interest bearing and repayable within twelve months.

### 8. Called up share capital

	2006 £'000	2005 £'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

	2006 £'000	2005 £'000
1 January 2006	42,815	36,477
Profit for the financial year	<u>7,097</u>	<u>6,338</u>
31 December 2006	<u>49,912</u>	<u>42,815</u>

# Inspec Finance Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 10. Reconciliation of movements in shareholders' funds.

	2006 £'000	2005 £'000
Profit for the financial year	7,097	6,338
Addition to shareholders' funds	<u>7,097</u>	<u>6,338</u>
Opening shareholders' funds	182,550	176,212
Closing shareholders' funds	<u><u>189,647</u></u>	<u><u>182,550</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

Evonik Industries AG (formerly RAG AG) is the ultimate parent company of Inspec Finance Limited. Evonik Industries AG is a company registered and incorporated in Germany. The consolidated financial statements of Evonik Industries AG can be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.