

**INSPEC FINANCE LIMITED**

**Annual Report and Financial Statements  
for the year ended 31 December 2007**

***Registered Number: 2685504***

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# **Inspec Finance Limited**

## **Annual report and financial statements for the year ended 31 December 2007**

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## **Inspec Finance Limited**

### **Directors' report for the year ended 31 December 2007**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2007

#### **Business review and principal activities**

Inspec Finance Limited 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 £11,483,350 for the year (2006 £9,208,770). Net assets at the end of the year were £147,773,271 (2006 £189,646,926).

#### **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 have paid a final dividend of 35.72p per £1 share amounting to £49,912,000 (2006 £nil per £1 share) in respect of 2006, details of which can be found in note 10.

The directors recommend that no dividend be paid in respect of the year 2007.

#### **Directors and their interests**

The directors 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)

#### **Charitable and political donations**

The company made no charitable or political contributions during the year (2006 £nil).

#### **Research and development**

There were no research and development costs during the year (2006 £nil).

# **Inspec Finance Limited**

## **Directors' report for the year ended 31 December 2007 (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 global risk assessment exercise. 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.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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, and
- 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 2007 (continued)**

#### **Statement of disclosure of information to auditors**

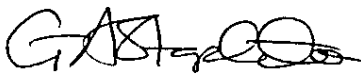
Insofar as the directors are aware

- 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

By order of the Board



Miss G A Stapleton  
**Secretary**  
19 May 2008

## **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 2007 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**

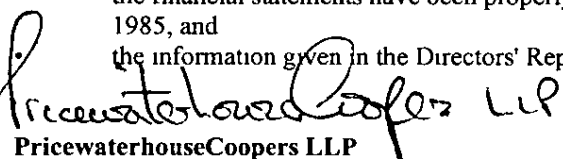
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
Milton Keynes

21 May 2008

## Inspec Finance Limited

### Profit and loss account

for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
<b>Continuing operations</b>			
Administrative expenses		(3,103)	(35)
<b>Operating loss</b>	2	(3,103)	(35)
Interest receivable and similar income	4	11,486,453	9,208,805
<b>Profit on ordinary activities before taxation</b>		11,483,350	9,208,770
Tax charge on profit on ordinary activities	5	(3,445,005)	(2,111,883)
<b>Profit for the financial year</b>	9	8,038,345	7,096,887

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 2007

	<i>Note</i>	2007 £	2006 £
<b>Current assets</b>			
Debtors	6	154,857,631	194,472,011
		<u>154,857,631</u>	<u>194,472,011</u>
<b>Creditors amounts falling due within one year</b>	7	(7,084,360)	(4,825,085)
<b>Net assets</b>		<u>147,773,271</u>	<u>189,646,926</u>
<b>Capital and reserves</b>			
Called up share capital	8	139,735,000	139,735,000
Profit and loss reserve	9	8,038,271	49,911,926
<b>Total shareholders' funds</b>	11	<u>147,773,271</u>	<u>189,646,926</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 19 May 2008 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 2007**

### **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 in the United Kingdom. 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 (revised 1996). 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 deferred taxation 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 respect of the instruments.

### **2. Operating loss**

The operating loss is stated after charging

	2007	2006
	£	£
<b>Services provided by the company's auditor</b>		
Fees payable for the audit	<u>3,071</u>	<u>-</u>

In 2006, auditors' remuneration was borne by Evonik Degussa UK Holdings Limited (formerly Degussa UK Holdings Limited), a fellow group company.

### **3 Directors and employees**

The company has no employees (2006: none). All the directors are employees of other Group undertakings and receive no emoluments in respect of services to the Company (2006: £nil).

# Inspec Finance Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 4. Interest receivable and similar income

	2007 £	2006 £
Interest on amounts due from group companies	<u>11,486,453</u>	<u>9,208,805</u>

### 5. Tax on profit on ordinary activities

	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax on profit for the year	3,445,005	2,762,631
Adjustments in respect of prior periods	-	(650,748)
Total current tax	<u>3,445,005</u>	<u>2,111,883</u>

The tax assessed for the year is equal to (2006 lower than) the standard rate of corporation tax in the UK (30%)

The differences are explained below

	2007 £	2006 £
<b>Profit on ordinary activities before taxation</b>	<u>11,483,350</u>	<u>9,208,770</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	3,445,005	2,762,631
Adjustment in respect of prior periods	-	(650,748)
Current tax charge for the year	<u>3,445,005</u>	<u>2,111,883</u>

The corporation tax payable for the year has been reduced by £3,445,005 because of group relief received from a fellow subsidiary for which a payment of £3,445,005 will be made

Factors that may effect future tax charges

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008

### 6. Debtors

	2007 £	2006 £
<b>Amounts due within one year</b>		
Amounts due from group undertakings	<u>154,857,631</u>	<u>194,472,011</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 2007 the interest rate was 6.47%. There are no fixed repayment terms, but the loan could be recalled at any time.

# Inspec Finance Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

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

	2007 £	2006 £
Corporation tax	873,653	873,654
Amounts owed to group undertakings	6,207,636	3,951,431
Accruals	3,071	-
	<u>7,084,360</u>	<u>4,825,085</u>

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

### 8. Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
150,000,000 ordinary shares of £1 each	<u>150,000,000</u>	<u>150,000,000</u>
<i>Allotted, called up and fully paid</i>		
139,735,000 ordinary shares of £1 each	<u>139,735,000</u>	<u>139,735,000</u>

### 9. Profit and loss reserve

	2007 £
At 1 January	49,911,926
Profit for the financial year	8,038,345
Dividends (note 10)	(49,912,000)
At 31 December	<u>8,038,271</u>

### 10 Dividends

	2007 £	2006 £
<b>Equity - Ordinary</b>		
Final paid 35 72p per £1 share (2006 nil per share)	<u>49,912,000</u>	<u>-</u>

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

	2007 £	2006 £
Profit for the financial year	8,038,345	7,096,887
Dividends (note 10)	(49,912,000)	-
Net (reduction)/addition to shareholders funds	<u>(41,873,655)</u>	<u>7,096,887</u>
Opening shareholders' funds	189,646,926	182,550,039
Closing shareholders' funds	<u>147,773,271</u>	<u>189,646,926</u>

## **Inspec Finance Limited**

### **Notes to the financial statements for the year ended 31 December 2007 (continued)**

#### **12. Ultimate parent company and controlling party**

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 and the controlling party. Evonik Industries AG is a company registered and incorporated in Germany. The consolidated financial statements of Evonik Industries AG, being the smallest and largest group to consolidate these financial statements, can be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.