

**INSPEC FINANCE LIMITED**

**Annual Report and Financial Statements  
for the year ended 31 December 2008**

***Registered Number: 2685504***

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# **Inspec Finance Limited**

## **Annual report and financial statements for the year ended 31 December 2008**

	<i>Page</i>
Contents	1
Directors' report	2-4
Independent auditors' report to the members of Inspec Finance Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-11

# **Inspec Finance Limited**

## **Directors' report for the year ended 31 December 2008**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008.

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

The Company did not engage in any trading activities during the current or previous year. The principal activity of the Company during the current and previous year was deriving income from loans to group companies.

The results for the company show a pre-tax profit of £8,340,283 for the year (2007: £11,483,350). Net assets at the end of the year were £153,736,573 (2007: £147,773,271).

### **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 do not recommend the payment of a final dividend (2007: £49,912,000).

### **Directors**

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

B Harvey	Director	(appointed 21.10.08)
N Macleod	Director	

D C M Andrews was resigned as a director on 21 October 2008.

### **Charitable and political donations**

The company made no charitable or political contributions during the year (2007: £nil).

### **Research and development**

There were no research and development costs during the year (2007: £nil).

**Directors' report for the year ended 31 December 2008 (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 Industries AG cash pool arrangement, the company's cash management is effectively controlled by its German parent organisation. The Evonik Industries AG 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 Industries AG. 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
- 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 2008 (continued)**

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

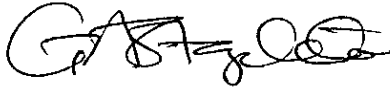
In so far as the directors are aware:

- 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

2 June 2009

## **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 2008 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**

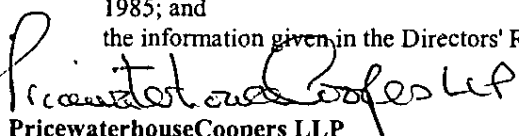
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 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

2 June 2009

## Inspec Finance Limited

### Profit and loss account

for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
<b>Continuing operations</b>			
Administrative expenses		(3,234)	(3,103)
<b>Operating loss</b>	2	(3,234)	(3,103)
Interest receivable and similar income	4	8,343,517	11,486,453
<b>Profit on ordinary activities before taxation</b>		8,340,283	11,483,350
Tax charge on profit on ordinary activities	5	(2,376,981)	(3,445,005)
<b>Profit for the financial year</b>	9	<u>5,963,302</u>	<u>8,038,345</u>

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the years 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.

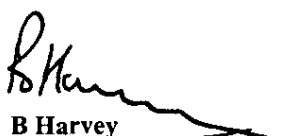
# Inspec Finance Limited

## Balance sheet

as at 31 December 2008

	Note	2008 £	2007 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	158,333,043	154,857,631
Debtors: amounts falling due after more than one year	6	4,865,000	-
Creditors: amounts falling due within one year	7	(9,461,470)	(7,084,360)
<b>Net current assets</b>		<u>153,736,573</u>	<u>147,773,271</u>
<b>Net assets</b>		<u>153,736,573</u>	<u>147,773,271</u>
<b>Capital and reserves</b>			
Called up share capital	8	139,735,000	139,735,000
Profit and loss reserve	9	14,001,573	8,038,271
<b>Total shareholders' funds</b>	11	<u>153,736,573</u>	<u>147,773,271</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 2 June 2009 and were signed on its behalf by:

  
**B Harvey**  
 Director

**Notes to the financial statements for the year ended 31 December 2008**

**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 policies 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, 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:

	2008 £	2007 £
Services provided by the company's auditors		
Fees payable for the audit	<u>3,200</u>	<u>3,071</u>

**3. Directors and employees**

The company has no employees (2007: none). All the directors are employees of other Group undertakings and receive no emoluments in respect of services to the Company (2007: £nil).

## Inspec Finance Limited

### Notes to the financial statements for the year ended 31 December 2008 (continued)

#### 4. Interest receivable and similar income

	2008 £	2007 £
Interest on amounts due from group companies	<u>8,343,517</u>	<u>11,486,453</u>

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

	2008 £	2007 £
Current tax		
UK corporation tax on profit for the year	<u>2,376,981</u>	<u>3,445,005</u>
Total current tax	<u>2,376,981</u>	<u>3,445,005</u>

There is no deferred tax recognised or unrecognised (2007: £nil)

The tax assessed for the year is equal to (2007: equal to) the standard rate of corporation tax in the UK (28.50%).

The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>8,340,283</u>	<u>11,483,350</u>
Profit on ordinary activities multiplied by standard rate in the UK 28.50% (2007: 30%)	<u>2,376,981</u>	<u>3,445,005</u>
Current tax charge for the year	<u>2,376,981</u>	<u>3,445,005</u>

The corporation tax payable for the year has been reduced by £2,376,981 because of group relief received from a fellow subsidiary for which a payment of £2,376,981 will be made.

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

#### 6. Debtors

	2008 £	2007 £
Amounts due within one year		
Amounts due from group undertakings	<u>158,333,043</u>	<u>154,857,631</u>

The company has an interest bearing asset consisting of a loan to its German parent Evonik Industries AG. The interest rate is calculated on an arms length basis and is variable in nature. At 31 December 2008, the interest rate was 2.56% (2007:6.47%). 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 2008 (continued)

### 6. Debtors (continued)

	2008	2007
	£	£
Amounts due after more than one year		
Third party loan	<u>4,865,000</u>	<u>-</u>

The company has an interest bearing asset consisting of a loan to a third party, Fine Organics Limited. The interest on the loan will accrue at a fixed rate of 7.5% and Fine Organics Limited must pay the accrued interest six months after the date of the agreement which was 7 November 2008 and on each date falling at six monthly intervals thereafter. There are fixed terms for the repayment of installments, with the balance of the loan due for payment on 1 July 2020.

Inspec Finance Limited has a letter of support from Evonik Degussa GmbH stating that it will guarantee recoverability of this loan in the event of default by Fine Organics Limited.

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

	2008	2007
	£	£
Corporation tax	873,653	873,653
Amounts owed to group undertakings	8,584,617	6,207,636
Accruals	3,200	3,071
	<u>9,461,470</u>	<u>7,084,360</u>

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

### 8. Called up share capital

	2008	2007
	£	£
<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

	2008
	£
At 1 January	8,038,271
Profit for the financial year	<u>5,963,302</u>
At 31 December	<u>14,001,573</u>

### 10. Dividends

	2008	2007
	£	£
<i>Ordinary</i>		
Final-paid nil per share (2007: 35.72p per £1 share)	<u>-</u>	<u>49,912,000</u>

## **Inspec Finance Limited**

### **Notes to the financial statements for the year ended 31 December 2008 (continued)**

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

	2008 £	2007 £
Profit for the financial year	5,963,302	8,038,345
Dividends (note 10)	-	(49,912,000)
Net addition/(reduction) to shareholders funds	<u>5,963,302</u>	<u>(41,873,655)</u>
Opening shareholders' funds	147,773,271	189,646,926
Closing shareholders' funds	<u><u>153,736,573</u></u>	<u><u>147,773,271</u></u>

#### **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 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.