

INSPEC FINANCE LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2003

Registered Number: 2685504



Inspec Finance Limited

Directors' report and accounts

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Inspec Finance Limited

Directors' report

The Directors present their annual report, together with the audited financial statements of the Company, for the year ended 31 December 2003

Principal activities

The principal activity of the Company during the year was the provision of financial services to Group Companies.

Business review

The results for the current year are shown on page 4 of the financial statements.

Dividends

No interim dividend was paid (2002: nil). The directors are not able to recommend that a final dividend be paid in respect of the year (2002: nil).

Charitable and political donations

The Company made no charitable or political donations during the period (2002:nil)

Auditors

At the forthcoming Annual General Meeting a resolution will be proposed to replace KPMG Plc with KPMG LLP as auditors of the company.

Directors and directors' interests

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

Mr D C M Andrews	Director
Mr P R C Rodger	Director (resigned 31.07.03)
Mr A J Savage	Director (resigned 28.02.03)
Mr J L Hamilton	Director
Miss G A Stapleton	Secretary

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

By order of the Board



J L Hamilton
Director

7 June 2004

66 Wigmore Street
London
W1U 2HQ

Inspec Finance Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, 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 Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent Auditor's report to the members of Inspec Finance Limited

We have audited the financial statements on pages 4 to 10.

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 2, 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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Manchester
8 June 2004

Inspec Finance Limited

Profit and Loss Account

for the year ended 31 December 2003

	<i>Note</i>	2003 £'000	2002 £'000
Operating profit	<i>2</i>	-	6
Other interest receivable and similar income	<i>3</i>	6,175	7,125
Interest payable and similar charges	<i>3</i>	-	(5)
Profit on ordinary activities before taxation		6,175	7,126
Tax on profit on ordinary activities	<i>4</i>	(1,852)	871
Retained profit for the financial year		4,323	7,997

All activities comprise continuing operations.

There are no recognized gains or losses in either year other than as disclosed in the profit and loss account.

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

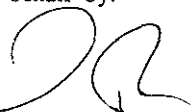
Inspec Finance Limited

Balance Sheet

at 31 December 2003

	Note	2003 £'000	2002 £'000
Current Assets			
Debtors	5	174,603	164,529
Cash at bank and in hand		-	3,533
		<u>174,603</u>	<u>168,062</u>
 Creditors: amounts falling due within one year	6	(4,153)	(1,935)
 Net Assets		<u><u>170,450</u></u>	<u><u>166,127</u></u>
 Capital and Reserves			
Called up share capital	7	139,735	139,735
Profit and loss account	8	30,715	26,392
 Equity shareholders' funds		<u><u>170,450</u></u>	<u><u>166,127</u></u>

The financial statements on pages 4 to 10 were approved by the Board on 7 June 2004 and signed on its behalf by:



J L Hamilton
Director



Inspec Finance Limited

Reconciliation of movements in shareholders' funds at 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	4,323	7,997
Additions to shareholders' funds	4,323	7,997
Shareholders' funds at start of year	166,127	158,130
Shareholders' funds at end of year	<u>170,450</u>	<u>166,127</u>

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

The Company's financial statements have been prepared under the historical cost convention in accordance with applicable UK Accounting Standards.

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Degussa 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 Degussa AG, within which this Company is included, can be obtained from Degussa AG, Bennigsenplatz 1, 40474 Düsseldorf.

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)

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

Inspec Finance Limited

Notes to the financial statements (continued)

3. Interest

	2003 £'000	2002 £'000
Other interest receivable		
Bank interest receivable	27	61
Interest on amounts due from group companies	<u>6,148</u>	<u>7,064</u>
	<u>6,175</u>	<u>7,125</u>
Other interest payable and similar charges		
On bank loans and overdrafts	-	(1)
Exchange losses	<u>-</u>	<u>(4)</u>
	<u>-</u>	<u>(5)</u>

4. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
UK Corporation tax (charge) at 30% (2002:30%)		
Current year	(1,852)	(2,139)
Prior year credit	<u>-</u>	<u>3,010</u>
	<u>(1,852)</u>	<u>871</u>

Factors affecting the tax charge for the current period

The current tax charge (2002: charge) for the period differs from the standard rate of corporation tax in the UK (30%) (2002:30%). The differences are explained below.

	2003 £'000	2002 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>6,175</u>	<u>7,126</u>
Expected current tax charge at 30%(2002:30%)	<u>(1,852)</u>	<u>(2,138)</u>
Effects of:		
Expenses not deductible for tax purposes	-	(1)
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>3,010</u>
Total current tax charge (see above)	<u>(1,852)</u>	<u>871</u>

Inspec Finance Limited

Notes to the financial statements (*continued*)

5. Debtors

	2003 £'000	2002 £'000
Amounts due from group undertakings	<u>174,603</u>	<u>164,529</u>
All amounts are due within one year		

6. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Corporation tax	<u>4,153</u>	<u>1,935</u>

7. Called up share capital

	2003 £'000	2002 £'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>

8. Profit and Loss Reserve

	2003 £'000	2002 £'000
Balance at start of year	26,392	18,395
Retained profit for the financial period	<u>4,323</u>	<u>7,997</u>
Balance at end of year	<u>30,715</u>	<u>26,392</u>

Inspec Finance Limited

Notes to the financial statements (*continued*)

9. Ultimate holding company

At the balance sheet date, RAG AG and E.ON AG each owned 46.48% of the share capital of Degussa AG. Neither E.ON AG nor RAG AG consolidated Degussa AG in their group accounts. Consequently Degussa AG was the ultimate parent company of Inspec Finance Limited. With effect on and from 31st May 2004 E.ON AG transferred to RAG AG [3.62%] of the share capital of Degussa AG leaving RAG AG as majority shareholder with 50.1% of the share capital of Degussa AG. Consequently with effect from 31st May 2004 RAG AG is the ultimate parent company of Inspec Finance Limited. The Company's immediate holding company is Laporte Speciality Organics Limited, a company registered and incorporated in England & Wales.

The company is also consolidated in the accounts of Degussa AG, a company registered and incorporated in Germany. The financial statements of Degussa AG can be obtained from Bennigsenplatz 1, 40474 Düsseldorf.