Celanese Acetate Limited

Directors' report and financial statements

Registered number 05859422

31 December 2007

Contents

Directors' report

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

Business review and principal activities

The company was formed after the assets of Acetate Products Limited were purchased by Celanese GMBH which owns the shares 100%. Turnover was £111 million and since the company began trading 1 February 2007 there are no comparable results for the previous year.

The principal activity of the Company is the manufacture and sale of cellulose acetate products. The operations are in the UK, except for a registered branch in France.

In 2007, the company faced adverse energy costs as well as an unfavorable exchange rate. The company's annual result was also affected with restructuring following the purchase.

The Filter Tow and Cellulose Acetate Flake markets in general are economic insensitive and are estimated to grow at low but stable rate. Sales prices are expected to increase in 2008, however, the increase in sales is expected to be more than offset by raw materials and energy escalation.

Directors

The directors who held office during the year and up to the date of this report, were as follows:

DM Madden	- appointed 2 October 2006
W Keller	- appointed 29 May 2008
C Duperre	- appointed 15 August 2008
R Walters	- appointed 15 August 2008
TL Elliot	- resigned 15 August 2008
C Fox	- resigned 15 August 2008

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Employees

Where individuals become disabled whilst in the company's employment, reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

The company provided information regarding the financial and economic factors affecting its performance to employees in literature circulated periodically. A manual of the

Directors' report *(continued)*

Political and charitable contributions

The company made no political donations during the year.

During the year the company made four donations to a variety of charities totalling £2,304. The largest single donation was £750 to Scouts Stamp & Deliver (charity registration number: 700884).

Auditors

KPMG LLP were appointed first auditors of the company by the directors. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

W Keller
Director

1 Holme Lane
Spondon
Derby
Derbyshire
DE21 7BS

24 November 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

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 its 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

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Independent auditors' report to the members of Celanese Acetate Limited

We have audited the financial statements of Celanese Acetate 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.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 judgments 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss 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.

KPMG LLP

24 November 2008

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover	*2*	**110,912**	-
Cost of sales		**(105,632)**	-
Gross profit		**5,280**	-
Selling and distribution costs		**(2,410)**	-
Administrative expenses		**(7,518)**	-
Administrative expenses - exceptional item	*7*	**(7,402)**	-
Other operating income		**433**	-
Operating loss		**(11,617)**	-
Other interest receivable and similar income	*6*	**125**	-
Interest payable and similar charges	*5*	**(4,089)**	-
Loss on ordinary activities before taxation	*7*	**(15,581)**	-
Tax on loss on ordinary activities	*8*	**(9)**	-
Loss for the financial year	*16*	**(15,590)**	-

All results are derived from continuing operations.

There were no recognised gains or losses in either the current or previous year other than those disclosed in the profit and loss account and therefore no statement of total recognised gains and losses has been presented.

Balance sheet
as at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible assets	*9*		**308**		-
Tangible assets	*10*		**47,100**		-
			47,408		-
Current assets					
Stocks	*11*	**12,985**		-	
Debtors - due within one year	*12*	**17,230**		-	
- due after one year		**5,493**		-	
		22,723		-	
Cash at bank and in hand		**1,682**		1	
		37,390		1	
Creditors: amounts falling due within one year	*13*	**(66,515)**		-	
Net current (liabilities)/assets			**(29,125)**		1
Total assets less current liabilities			**18,283**		1
Provisions for liabilities and charges	*14*		**(11,484)**		-
Net assets			**6,799**		1
Capital and reserves					
Called up share capital	*15*		**20,000**		1
Capital contribution reserve	*16*		**2,389**		-
Profit and loss account	*16*		**(15,590)**		-
Shareholder's funds	*17*		**6,799**		1

These financial statements were approved by the board of directors on 24 November 2008 and were signed on its behalf by:

W Keller
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £29,125,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided by Celanese Corporation. These entities have provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, that they will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statement.

Turnover

Turnover is the total amount of sales invoiced to customers, net of carriage, insurance, freight, duty and value added tax.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life.

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Trademarks purchased by the company are amortised to nil be equal annual instalments over their useful economic lives of 10 years.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Tangible assets are stated at cost. Depreciation is calculated on a straight line basis so as to write-off the cost of each asset over their estimated useful lives, using the following rates:

Plant and equipment	6.67% - 20%
Fixtures and fittings	6.67% - 20%
Buildings	5% - 10%

No depreciation is provided on freehold land or capital work in progress.

Assets acquired at the time of the acquisition were independently valued and are being depreciated on a straight line basis so as to write-off the value of each asset over their estimated useful lives which ranged between 1 and 15 years.

Fixed assets are reviewed for impairment in accordance with FRS 11.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of attributable overheads.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Foreign currencies

Transactions denominated in foreign currencies occurring during the year are translated into sterling at the exchange rates prevailing at the date of those transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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 result 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.

Operating leases

Rental charges in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Leases and hire purchase contracts

Fixed assets leased under finance leases or acquired under hire purchase contracts are capitalised and depreciated over their expected useful lives.

Finance charges are allocated over the primary period of the lease or contract in proportion to the capital element outstanding.

Notes *(continued)*

1 Accounting policies *(continued)*

Pensions

The cost of providing retirement pensions and related benefits in respect of defined contribution schemes represents the contributions payable to the scheme in respect of the accounting period. The contributions are held in separately administered funds from the company's assets.

Provisions

Provision is made where, the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required and a reliable estimate of the obligation can be made. Provisions are discounted where the effect would be material.

Classification of financial instruments issued by the company

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Segmental reporting

Turnover represents the sale of chemicals and related products. In the opinion of the directors, the disclosure of an analysis of turnover would be seriously prejudicial to the company and therefore no such disclosure has been included within these financial statements.

Notes *(continued)*

3 Employee information

The average number of persons, including directors, employed by the company during the year was:

	2007 Number	2006 Number
By activity:		
Production	558	-
Selling and distribution	47	-
Administration	49	-
	654	-

	2007 £000	2006 £000
The aggregate payroll costs of these employees, including directors, was as follows:		
Wages and salaries	20,395	-
Social security costs	2,280	-
Other pension costs	1,672	-
	24,347	-

4 Directors emoluments

	2007 £000	2006 £000
Aggregate emoluments (including pension contributions)	-	-
Highest paid director:		
Total emoluments (excluding pension contributions)	-	-
Contribution to money purchase schemes	-	-

Director's emoluments are paid by the ultimate parent company. None of the directors are part of the company's defined contribution scheme.

5 Interest payable and similar charges

	2007 £000	2006 £000
On overdrafts	928	-
Group interest payable	3,161	-
	4,089	-

Notes *(continued)*

6 Other interest receivable and similar income

	2007	2006
	£000	£000
Group interest receivable	110	-
Other interest receivable	15	-
	125	-

7 Loss on ordinary activities before taxation

	2007	2006
	£000	£000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation - owned assets	5,834	-
Amortisation of goodwill	237	-
Amortisation of intangibles	31	-
Operating lease charge - plant and machinery	1,126	-
Research and development expenditure	610	-
Foreign exchange gain	(75)	-
Auditors' remuneration:		
- audit of the financial statements	45	-
- other services including taxation	-	-

Exceptional item

Following the acquisition of the trade and assets from Acetate Products Limited, the company have incurred restructuring costs totalling £7.4 million.

Notes *(continued)*

8 Tax on loss on ordinary activities

	2007	2006
	£000	£000
Current tax:		
UK corporation tax at 30% *(2006: 30%)*	-	-
Foreign corporation taxes	9	-
Tax charge on ordinary activities	9	-

The current tax charge is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2007	2006
	£000	£000
Loss on ordinary activities before tax	(15,581)	-
Loss on ordinary activities multiplied by the standard rate of corporation in the UK of 30%	(4,674)	-
Effects of:		
Expenses not deductible for tax purposes	1,016	-
Depreciation in excess of capital allowances	1,329	-
Tax losses carried forward	2,329	-
Tax on overseas earnings	9	
	9	-

Unprovided deferred tax asset

	2007	2006
	£000	£000
Deferred taxation comprises:		
Accelerated capital allowances	(1,240)	-
Tax losses	(2,174)	
	(3,414)	-

No deferred tax asset has been provided in respect of the above. The asset will be recovered when there is a reasonable expectation of future taxable profits.

Notes *(continued)*

9 Intangible assets

	Goodwill £000	Trademarks £000	Total £000
Cost:			
At beginning of year	-	-	-
Additions (see note 18)	237	339	576
At end of year	237	339	576
Amortisation:			
At beginning of year	-	-	-
Charged in the year	(237)	(31)	(268)
At end of year	(237)	(31)	(268)
Net book value			
As at 31 December 2007	**-**	**308**	**308**

The directors consider each acquisition separately for the purposes of determining the amortisation period of any goodwill that arises.

10 Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Capital work in progress £000	Total £000
Cost:					
At 1 February 2007	13,608	30,652	69	4,759	49,088
Additions	-	1,971	-	1,887	3,858
Disposals	-	(11)	-	-	(11)
At 31 December 2007	13,608	32,612	69	6,646	52,935
Accumulated depreciation:					
At 1 February 2007	-	-	-	-	-
Charge for the year	(1,332)	(4,466)	(36)	-	(5,834)
Disposals	-	(1)	-	-	(1)
At 31 December 2007	(1,332)	(4,467)	(36)	-	(5,835)
Net book value:					
At 31 December 2007	**12,276**	**28,145**	**33**	**6,646**	**47,100**
At 31 December 2006	-	-	-	-	-

Included within the above is £6,650,000 of land which is not depreciated.

Notes *(continued)*

11 Stocks

	2007 £000	2006 £000
Raw materials	3,020	-
Spares and supplies	1,441	-
Work in progress	1,961	-
Finished goods	6,563	-
	12,985	-

In the opinion of the directors, there is no material difference between the cost as shown and the replacement cost of stock.

12 Debtors

	2007 £000	2006 £000
Due within one year:		
Trade debtors	5,471	-
Amounts owed by group undertakings	8,794	-
Other debtors	2,614	-
Prepayments and accrued income	351	-
	17,230	-
Due after one year:		
Other debtors	5,493	-
	22,723	-

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	16,581	-
Amounts due to group undertakings	45,720	-
Interest accrual	3,161	-
Accruals and deferred income	1,053	-
	66,515	-

£36,240,000 of 'Amounts due to group undertakings' relates to a loan from Celanese GmbH. It is repayable on 31 January 2008 and carries interest at a rate of 9.37%.

The balance of 'Amounts due to group undertakings' are unsecured, interest free and repayable on demand.

Notes *(continued)*

14 Provision for liabilities and charges

	Restructuring £000	Health, safety /environment £000	Other £000	Total £000
At 1 February 2007	8,877	6,945	1,159	16,981
Charged to the profit and loss account	-	-	-	-
Utilised during the year	(4,581)	(652)	(264)	(5,497)
At 31 December 2007	**4,296**	**6,293**	**895**	**11,484**

Restructuring provision

The restructuring provision relates to redundancy, and demolition costs in restructuring the business and were provided as part of the purchase accounting entries.

The company continued to make progress with the reorganisation, resulting in the above costs of £4,581,000 *(2006: £nil)* being incurred during the year. At 31 December 2007, the closing provision relates to further costs which are expected to be spent within the next four years.

Health, safety and environmental provision

The health, safety and environment provision relates to the expected cost of the environmental cleanup of land at the Spondon and Little Heath sites.

It is expected that the provision will be largely utilised during the next five years.

Other

The other provision is in respect of holiday pay. The holiday pay provision relates to individuals employed before April 1989, amounts being payable on the termination of their employment with the company. The associated outflows are expected to occur over a number of years as the employees cease employment with the company.

15 Called up share capital

	2007 £000	2006 £000
Authorised:		
19,999 ordinary shares of £1 each	**19,999**	1
Allotted, called up and fully paid:		
20,000 ordinary shares of £1 each	**20,000**	1

Notes *(continued)*

16 Reserves

	Capital contribution reserve £000	Profit and loss account £000
At 1 January 2007	-	-
Capital contribution from parent undertaking	2,389	-
Loss for the year	-	(15,590)
At 31 December 2007	**2,389**	**(15,590)**

17 Reconciliation of movement in shareholder's funds

	2007 £000	2006 £000
Loss for the year	**(15,590)**	-
Capital contribution from parent undertaking	**2,389**	-
Share capital issued in the year	**19,999**	-
Net addition to shareholder's funds	**6,798**	-
Opening shareholder's funds	**1**	1
Closing shareholder's funds	**6,799**	1

18 Purchase of business

On 1 February 2007 the company purchased the trade and assets of Acetate Products Limited. Prior to this date the company was dormant.

	On acquisition £000	Fair value adjustments £000	Fair value of net assets acquired £000
Tangible fixed assets	100,317	(51,229)	49,088
Intangible fixed assets	-	339	339
Stocks	14,677	(48)	14,629
Debtors	18,809	339	19,148
Creditors	(22,670)	(2,142)	(24,812)
	111,133	(52,741)	58,392
Goodwill (see note 9)			237
			58,629
Satisfied by:			
Cash			58,629

Notes *(continued)*

19 Commitments

Capital commitments at the end of the financial year for which no provision has been made are:

	2007	2006
	£000	£000
Contracted for	**1,954**	-

The company has annual commitments in respect of other operating leases as follows:

	2007	2006
	£000	£000
Operating leases which expire:		
Within one year	**415**	-
Between two and five years	**792**	-
After more than five years	**-**	-
	1,207	-

20 Pension commitments

The company's employees are eligible to join the Celanese Acetate Limited Personal Pension Plan, and the company is contracted-in to the State Second Pension. The plan, administered through Legal & General Assurance Society Ltd ('L&G'), is a defined contribution arrangement based on a personal contract between each participating employee and L&G. Company contributions are related to those of each employee, and in 2007 amounted to £1,672,000 *(2006: £nil)* being an average of 8.2% of members' pensionable salary for the relevant period. The commitments outstanding at the year end amounted to £nil *(2006: £nil)*.

In addition, all company employees are covered by the Acetate Products Group Life Assurance Scheme. This scheme provides a lump sum payment on the death of any employee equivalent to four times annual salary. The premium for 2007 was £117,812 *(2006: £nil)*. Members of the Acetate Products GPP Plan (who joined the scheme at either 1 August 2004 or at the commencement of their employment, whichever is the later) are also covered by a self-insured lump sum scheme providing a payment to any member leaving the company's employment on grounds of permanent medical incapacity. No payments were made under this scheme in 2007 *(2006: £nil)*.

21 Related party transactions

As 100% of the voting rights are controlled within the group headed by Celanese Corporation, the company has taken advantage of the exemption in Financial Reporting Standard Number 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Celanese Corporation can be obtained from the address given in note 22.

Notes *(continued)*

22 Immediate and ultimate parent undertaking and controlling party

Celanese Acetate Limited is a wholly owned subsidiary of Celanese GmbH, which is itself a wholly owned subsidiary undertaking of the Celanese Corporation, a company incorporated in the USA.

Therefore, the ultimate parent undertaking and controlling party is Celanese Corporation, which is the parent undertaking of the largest group to consolidate these financial statements.

The smallest group in which the company are consolidated is that headed by Celanese GmbH, a company incorporated in Germany.

Copies of the consolidated financial statements for these groups are available from 1 Holme Lane, Spondon, Derby, DE21 7BS.