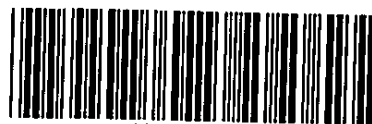


Laporte Chemicals Limited

**Annual Report and Financial Statements
for the year ended 31 December 2010**

Registered Number: 518066

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Laporte Chemicals Limited

Annual report and financial statements for the year ended 31 December 2010

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Laporte Chemicals Limited

Directors' report for the year ended 31 December 2010

The directors present their annual report and the audited financial statements of the Laporte Chemicals Limited (Company number 518066) for the year ended 31 December 2010

Business review and principal activities

Laporte Chemicals Limited did not engage in any trading activities during the year. On 1 September 2010, following an internal restructuring project, the Company received an interim dividend payment from its overseas subsidiary companies (as detailed in note 4) and immediately sold its investment in these companies to another Evonik entity outside of the UK group (as detailed in note 7). On the same date, as part of a currency risk management exercise performed by its ultimate parent, the Company converted its loan to its German parent, Evonik Industries AG, from sterling into Euro. As the currency of the Company's principal cash flows is now denominated in Euro, the directors have made the decision to change the local currency of these financial statements into Euro, effective from 1 September 2010 and have translated comparative figures accordingly (as detailed in note 5). The principal activities of the Company are therefore now concerned with deriving income from investments only.

The results for the Company show a pre-tax profit of €540,957,782 for the year (2009: €44,066 restated). Net assets at the end of the year were €385,267,150 (2009: €339,179,338 restated).

Future outlook

The directors intend to apply for a capital reduction by means of solvency statement, apart from which they consider the future outlook for the Company to remain unchanged for the foreseeable future.

Key performance indicators ("KPI's")

Due to the nature of the Company, the Company directors do not use KPI's 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 paid an interim dividend of €523,538,439 in respect of the year (2009: €nil).

Directors and their interests

The directors who served during the year up to the date of signing of the financial statements were

B Harvey	Director
N Macleod	Director
G A Stapleton	Company Secretary

Charitable and political donations

The Company made no charitable or political donations during the year (2009: €nil).

Research and development

There were no research and development costs during the year (2009: €nil).

Laporte Chemicals Limited

Directors' report for the year ended 31 December 2010 (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 arm's 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 arm's length basis and is variable in nature based on one month Euribor.

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.

Directors' indemnity provisions

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the directors at any time during the financial year.

Post-balance sheet events

There were no post-balance sheet events.

Statement of directors' responsibilities

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 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Laporte Chemicals Limited

Directors' report for the year ended 31 December 2010 (continued)

Statement of disclosure of information to auditors

In accordance with Section 418, each person who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



G A Stapleton
Secretary

21 April 2011

Independent auditors' report to the members of Laporte Chemicals Limited

We have audited the financial statements of Laporte Chemicals Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

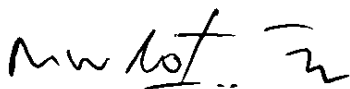
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mike Robinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
21 April 2011

Laporte Chemicals Limited

Registered Company Number: 518066

Profit and loss account

for the year ended 31 December 2010

	Note	2010 €	2009 restated €
Continuing operations			
Administrative income/(expense)		<u>583,169</u>	<u>(25,641)</u>
Operating profit/(loss)	2	<u>583,169</u>	<u>(25,641)</u>
Interest receivable and similar income	3	2,796,849	69,707
Loss on disposal of investment in subsidiary	7	(172,770,391)	-
Dividend received	4	<u>710,348,155</u>	<u>-</u>
Profit on ordinary activities before taxation		<u>540,957,782</u>	<u>44,066</u>
Tax on profit on ordinary activities	6	<u>2,642,412</u>	<u>(12,339)</u>
Profit for the financial year	13	<u><u>543,600,194</u></u>	<u><u>31,727</u></u>

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical equivalents

Laporte Chemicals Limited

Statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 €	2009 restated €
Profit for the financial year	16	543,600,194	31,727
Effect of change in local currency	5	<u>26,026,057</u>	<u>-</u>
Total recognised gains relating to the financial year		<u>569,626,251</u>	<u>31,727</u>


Laporte Chemicals Limited

Balance sheet

as at 31 December 2010

	Note	2010 €	2009 restated €
Fixed assets			
Investments	7	-	338,310,965
Current assets			
Debtors	8	386,314,403	7,880,072
Cash at bank and in hand		297	-
		<u>386,314,700</u>	<u>7,880,072</u>
Creditors: amounts falling due within one year	9	<u>(1,047,550)</u>	<u>(3,274,675)</u>
Net current assets		<u>385,267,150</u>	<u>4,605,397</u>
Total assets less current liabilities		385,267,150	342,916,362
Provisions for liabilities	10	-	(3,737,024)
Net assets		<u>385,267,150</u>	<u>339,179,338</u>
Capital and reserves			
Called up share capital	12	2,934,008	2,724,918
Share premium account	13	145,755,632	135,368,479
Revaluation reserve	13	158,189,102	146,915,888
Profit and loss reserve	13	78,388,408	54,170,053
Total shareholders' funds	14	<u>385,267,150</u>	<u>339,179,338</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 21 April 2011 and were signed on its behalf by


N Macleod
Director

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010

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 financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below

The Company is a wholly-owned subsidiary of Evonik Amalgamation Limited (formerly Degussa Amalgamation 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 the Evonik Industries AG group or investees of the Evonik Industries AG group.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Fixed assets investments

Shares in group undertakings and associates are stated at cost less any impairment in value, as adjusted by directors' valuations, based on underlying net asset values.

Dividends received are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation because of timing difference between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

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. Gains or losses arising on the translation of non-monetary assets denominated in foreign currencies, net of related foreign currency borrowings and equivalent instruments, are taken to reserves.

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

1. Principal accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made

Where the effect of the time value of money is material, the provision is discounted to the present value of the expense expected to be required to settle the obligation. Where appropriate, the discount rate has been adjusted for the risk associated with the liability. The unwinding of the discount on those provisions is included within other finance costs

2. Operating loss

The operating loss is stated after charging/(crediting)

	2010 €	2009 restated €
Services provided by the company's auditors		
Fees payable for the audit	-	5,202
Fees payable for other services - tax compliance	<u>809</u>	<u>4,504</u>
Release of provision	<u>(604,110)</u>	<u>-</u>

Audit fees in 2010 were borne by another group company of which €6,755 relates to the audit of these financial statements

There were no employees during the year (2009: none). All the directors are employees of other Group undertakings and receive no emoluments in respect of the services provided to the Company (2009: €nil)

3. Interest

	2010 €	2009 restated €
Interest receivable and similar income		
Interest on amounts due from group companies	<u>2,796,849</u>	<u>69,707</u>
	<u>2,796,849</u>	<u>69,707</u>

4. Dividend received

The Company received a 2010 interim dividend payment of €710,348,155 from its subsidiaries Laporte Netherland Holdings BV and Inspec Group BV (2009: €nil)

5. Effect of change in local currency

On 1 September 2010 the Company changed its local currency from Sterling to Euro. The 2009 comparative balances have been restated using the spot rate of the European Central Bank at 31 December 2009 (1:1.259) and the directors have taken the decision to convert the comparative profit and loss account at the same rate. All 2010 balance sheet items were translated into the new local currency using the European Central Bank spot rate at the date of change (1:1.2124). The translation at 1 September 2010 has crystallised an exchange gain equal to the effect of the movement in spot rate of the non-monetary items between 31 December 2009 and the translation date. This resulting exchange gain of €26,026,057 has been recognised through the Statement of Total Recognised Gains and Losses in these financial statements.

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

6. Tax on profit on ordinary activities

	2010 €	2009 restated €
Current tax		
UK corporation tax on profits for the year	777,254	12,339
Total current tax	<u>777,254</u>	<u>12,339</u>
Deferred tax		
Adjustments in respect of previous years	(3,419,666)	-
Total deferred tax	<u>(3,419,666)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(2,642,412)</u>	<u>12,339</u>

The tax assessed for the year is lower than (2009 equal to) the standard rate of Corporation Tax in the UK 28% (2009 28%) The differences are explained below

	2010 €	2009 restated €
Profit on ordinary activities before taxation	<u>540,957,782</u>	<u>44,066</u>
Profit on ordinary activities multiplied by standard rate in the UK 28% (2009 28%)	151,468,179	12,339
Effects of		
Expenses not deductible for tax purposes	48,375,709	-
Income not subject to taxation	(199,066,634)	-
Current tax credit for the year	<u>777,254</u>	<u>12,339</u>

The Corporation Tax payable for the year has been reduced by €777,254 (2009 €12,339 restated) because of group relief from a fellow subsidiary for which a payment of €777,254 (2009 €12,339 restated) will be made

Factors affecting current and future tax charges

During the year, as a result of the change in the UK main Corporation Tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been remeasured

Further reductions to the UK Corporation Tax rate were announced in the March 2011 budget. The changes, which are expected to be enacted separately each year, propose to further reduce the rate to 26% effective from 1 April 2011 and then reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

7. Investments

	Shares in group undertakings €	Shares in participating interests €	Total €
At cost			
At 1 January 2010 restated	338,310,965	33,780	338,344,745
Disposal during the year	(338,310,965)	(33,780)	(338,344,745)
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>
Impairments			
At 1 January 2010 restated	-	(33,780)	(33,780)
Disposal during the year	-	33,780	33,780
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount			
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2009 restated	<u>338,310,965</u>	<u>-</u>	<u>338,310,965</u>

In the opinion of the directors, the value of the Company's investments in its group undertakings is not less than the amount at which they are stated in the balance sheet

In 2006, the investment in Peroxidos Organicos SA, (€33,780 restated) was written down to nil

On 1 September 2010, all 2010 balance sheet items were translated into the new local currency using the European Central Bank spot rate at the date of change (1 1 2124). On the same date the Company sold its investment in Laporte Nederland Holdings BV and Inspec Group BV to another Evonik company outside of the UK group. The value of shares in group undertakings translated at 1 September 2010 was €364,270,391 and sale proceeds received were €191,500,000 resulting in a loss on disposal of €172,770,391.

Details of the Company's group undertakings are as follows

<i>Name of company</i>	<i>Country of registration, incorporation and operation</i>	<i>Holding %</i>	<i>Class of shares held</i>	<i>Nature of business</i>	<i>Direct / Indirect</i>
Group undertakings					
Asian Bleaching Earth Co Limited (in liquidation)	Thailand	100	Ordinary	In liquidation	Indirect

The group undertakings and participating interests of the Company at 31 December 2010 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

8. Debtors

	2010 €	2009 restated €
Amounts falling due within one year		
Amounts owed by group undertakings	386,314,403	7,878,790
Other debtors	-	1,282
	<u>386,314,403</u>	<u>7,880,072</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 arm's length basis and is variable in nature. At 31 December 2010, the interest rate was 1.93% (2009: 0.51%). There are no fixed repayment terms, but the loan could be recalled at any time.

9. Creditors: amounts falling due within one year

	2010 €	2009 restated €
Amounts owed to group undertakings	1,045,350	390,283
UK Corporation Tax	-	2,879,190
Accruals	2,200	5,202
	<u>1,047,550</u>	<u>3,274,675</u>

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

10. Provisions for liabilities

	Deferred tax provision €	Other €	Total €
1 January 2010 restated	3,175,967	561,057	3,737,024
1 September 2010 restated	3,419,666	604,110	4,023,776
Credited to the profit and loss account	(3,419,666)	(604,110)	(4,023,776)
31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>

Other provisions totalling €604,110 at 1 September 2010 (restated) related to certain historic product liability matters which have now been settled.

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

10. Provisions for liabilities (continued)

The recognised deferred taxation liabilities are as follows

	2010 €	2009 restated €
Other timing differences	-	3,175,967
	<u>-</u>	<u>3,175,967</u>

The Company has capital losses carried forward of €861,163 (2009 €894,968 restated) No deferred tax asset has been recognised in respect of these losses as their future use is currently uncertain

11. Contingent liabilities

With the success of the taxpayer in the 'Vodafone 2 v The Commissioners of HMRC' case, the Controlled Foreign Corporation legislation (at least pre 6 December 2006) was regarded as being in breach of the EC treaty and must therefore be disapplied in its entirety in relation to situations involving a UK company having a controlling interest in an EU incorporated subsidiary. Leave to appeal was granted and on 22 May 2009 and the courts found in favour of The Commissioners of HMRC. On 17 December 2009, Vodafone were refused leave to appeal against this decision and the Court of Appeal's judgement is therefore now final and forms binding legal precedent. However, Controlled Foreign Corporations which are established in an EEA state and carry on genuine economic activities should still be able to rely on the EC Treaty freedom of establishment to avoid a Controlled Foreign Corporation charge.

Laporte Chemicals Limited have filed on the basis of the Controlled Foreign Corporation legislation being in breach of the EC Treaty, but should still be in a strong position provided that they can evidence the establishment and genuine economic activity of each EEA Controlled Foreign Corporation on a case by case basis. Although there is still some uncertainty about what 'genuine economic activities' means, management have assessed the specific circumstances of the companies in question and believe that there is still a significant level of uncertainty whether there will be a transfer of economic benefits in respect of these Controlled Foreign Corporation charges. Consequently, the directors continue to consider €5,332,289 to be a contingent liability.

12. Called up share capital

	2010 €	2009 restated €
Authorised 5,000,000 Ordinary shares of €1 2124 each (2009 restated at €1 1259 each)	<u>6,062,000</u>	<u>5,629,997</u>
Allotted and fully paid 2,420,000 Ordinary shares of €1 2124 each (2009 restated at €1 1259 each)	<u>2,934,008</u>	<u>2,724,918</u>

Laporte Chemicals Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

13. Reserves

	Share premium account €	Revaluation reserve €	Profit and loss reserve €	Total €
1 January 2010 restated	135,368,479	146,915,888	54,170,053	336,454,420
Profit for the financial year	-	-	543,600,194	543,600,194
Effect of change in local currency	10,387,153	11,273,214	4,156,600	25,816,967
Dividend paid	-	-	(523,538,439)	(523,538,439)
31 December 2010	145,755,632	158,189,102	78,388,408	382,333,142

In 1999, the Company's investment in Laporte Nederland (Holdings) BV was revalued resulting in a revaluation reserve of €158,189,102

14. Reconciliation of movement in total shareholders' funds

	2010 €	2009 restated €
Profit for the financial year	543,600,194	31,727
Effect of change in local currency to share capital	209,090	-
Effect of change in local currency to reserves	25,816,967	-
Dividend paid	(523,538,439)	-
Net addition to shareholders' funds	46,087,812	31,727
Opening shareholders' funds	339,179,338	339,147,611
Closing shareholders' funds	385,267,150	339,179,338

15. Ultimate parent company and controlling party

The Company's immediate parent company is Evonik Amalgamation Limited, a company registered and incorporated in England and Wales

Evonik Industries AG is the ultimate parent company and controlling party of Laporte Chemicals Limited. 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