

SARCLEAR LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2006

Registered Number: 2357551

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Sarclear Limited

Directors' report and financial statements for the year ended 31 December 2006

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Sarclear Limited

Directors' report for the year ended 31 December 2006

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2006

Business review and principal activities

Sarclear Limited is an intermediate holding company and 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 £1,257,300 for the year (2005 £1,403,000). Net assets for the year were £100,646,600 (2005 98,755,000).

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

No interim dividend was paid (2005 nil). The directors recommend that no final dividend be paid in respect of the year (2005 nil).

Directors and their interests

The directors who served during the year or after the balance sheet date were:

D C M Andrews	
J P R Lipman	(Resigned 22 05 07)
N Macleod	(Appointed 22 05 07)
Miss G A Stapleton	Company Secretary

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

Charitable and political contributions

The company made no charitable or political donations during the year (2005 nil).

Research and development

There were no research and development costs during the year (2005 nil).

Sarclear Limited

Directors' report for the year ended 31 December 2006 (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 risk assessment exercise, taking into account credit rating information regarding the company, provided by an external credit rating agency. 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 to report.

Statement of Directors' Responsibilities

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.

Sarclear Limited

Directors' report for the year ended 31 December 2006 (continued)

Auditors and disclosure of information to auditors

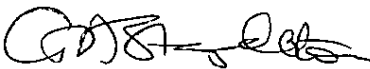
Insofar as the directors are aware

- 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 3 March 2006, PricewaterhouseCoopers LLP were appointed as auditors for an indefinite period in place of the retiring auditors, KPMG LLP

By order of the Board



Miss G A Stapleton

Secretary

Tego House

Chippenham Drive

Kingston

Milton Keynes

MK10 0AF

28 September 2007

Independent Auditors' report to the members of Sarclear Limited

We have audited the financial statements of Sarclear Limited for the year ended 31 December 2006 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

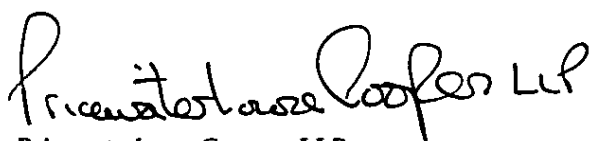
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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

4 October 2007

Sarclear Limited

Profit and Loss Account *for the year ended 31 December 2006*

	<i>Note</i>	2006 £'000	2005 £'000
Continuing operations			
Operating profit	2	-	-
Other interest receivable and similar income	3	1,257	1,404
Interest payable and similar charges	3	<u>-</u>	<u>(1)</u>
Profit on ordinary activities before tax		1,257	1,403
Tax on profit on ordinary activities	4	635	(401)
Profit for the financial year	9	<u>1,892</u>	<u>1,002</u>

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

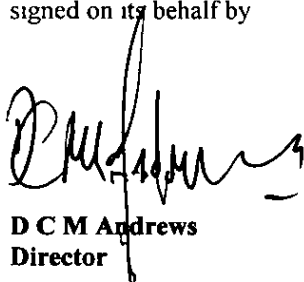
The company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been prepared

Sarclear Limited

Balance Sheet at 31 December 2006

	<i>Note</i>	2006 £'000	£'000	2005 £'000	£'000
Fixed Assets					
Investments	5		74,164		74,164
Current Assets					
Debtors					
Amounts owed by group undertaking	7	26,531		25,797	
Creditors: amounts falling due within one year	6	<u>(48)</u>		<u>(1,206)</u>	
Net current assets			26,483		24,591
Net assets			<u>100,647</u>		<u>98,755</u>
Capital and reserves					
Called up share capital	8		144		144
Share premium account	9		9,851		9,851
Profit and loss account	9		90,652		88,760
Total shareholders' funds	10		<u>100,647</u>		<u>98,755</u>

The financial statements on pages 5 to 10 were approved by the Board of directors on 28 September 2007 and were signed on its behalf by



D C M Andrews
Director

Sarclear Limited

Notes to the financial statements for the year ended 31 December 2006

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 and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting standards are set out below

The company is a wholly-owned subsidiary of EGL Limited, and is included in the consolidated financial statements of Evonik Industries AG (formerly RAG AG), which are available from Rellinhauser 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. 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.

The company is exempt by virtue of s248 of the Companies Act 1985 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 asset investment

Shares in overseas group undertakings financed through foreign currency loans for hedging purposes are revalued to net realisable value when the loan is taken out. They are subsequently translated at the prevailing exchange rate at each period end. Upon payment of the financing, the shares cease to be retranslated. The shares are then carried forward in Sterling at the rate ruling on the day of the repayment subject to future permanent diminutions.

All shares in group undertakings are stated at cost less any permanent diminution in value, as adjusted by directors' valuations, based on underlying net asset values.

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.

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.

Financial assets and liabilities

Financial assets and liabilities are initially recognised at cost and only derecognised once payment has been received / made in the respect of the instruments.

Sarclear Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

2. Operating profit, directors and employees

The auditors' remuneration is borne by Degussa UK Holdings Limited, a fellow group company

There were no employees during the year (2005 *none*)

All the directors are employees of other group undertakings and receive no emoluments in respect of services provided to the company (2005 *£nil*)

3. Interest

	2006 £'000	2005 £'000
Other interest receivable and similar income		
Interest on amounts from group undertakings	1,154	1,404
Amount from other companies	103	-
	<u>1,257</u>	<u>1,404</u>
Interest payable and similar charges		
Amounts to group undertakings	-	(1)
	<u>-</u>	<u>(1)</u>

4. Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Current tax		
UK Corporation tax on profits for the year	377	421
Adjustments in respect of previous periods	(1,012)	(20)
Total current tax	<u>(635)</u>	<u>401</u>

The tax assessed for the year is lower than (2005 *lower*) the standard rate of corporation tax in the UK (30%)
The differences are explained below,

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	<u>1,257</u>	<u>1,403</u>
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2005 30%)	377	421
<i>Effects of</i>		
Adjustments to tax charge in respect of previous periods	(1,012)	(20)
Current tax (credit)/charge for the period	<u>(635)</u>	<u>401</u>

Sarclear Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

5. Investments

	2006 £'000	2005 £'000
Shares in group undertakings		
At 1 January and 31 December	74,164	74,164

In the opinion of the Directors the value of the company's investment in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet

Subsidiary undertakings and participating interests

Details of the company's subsidiary undertakings and participating interests are as follows

Name of company	Country of registration, incorporation and operation	Holding %	Class of shares held	Nature of business
Subsidiary undertakings				
Degussa Initiators Pty Ltd (change of name 13 12 04 from Plaskem Holdings Pty)	Australia	100	Ordinary	Holding company
Participating interests				
Laporte Chemicals Ltd	UK	17.4	Ordinary	Holding Company

6. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	48	-
Corporation tax	-	1,206
	48	1,206

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

7. Debtors: amounts falling due within one year

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 2006 the interest rate was 5.24%. There are no fixed repayment terms, but the loan could be recalled at any time.

Sarclear Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

8. Called up share capital

	2006 £'000	2005 £'000
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
143,770 ordinary shares of £1 each	<u>144</u>	<u>144</u>

9. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2006	9,851	88,760	98,611
Profit for the financial year	-	1,892	1,892
31 December 2006	<u>9,851</u>	<u>90,652</u>	<u>100,503</u>

10. Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	1,892	1,002
Opening shareholders' funds	<u>98,755</u>	<u>97,753</u>
Closing shareholders' funds	<u>100,647</u>	<u>98,755</u>

11 Ultimate holding company

The company's immediate holding company is EGL Limited, a company registered and incorporated in England and Wales

Evonik Industries AG (formerly RAG AG) is the ultimate parent company of Sarclear Limited. Evonik Industries AG is a company registered and incorporated in Germany. The consolidated financial statements of Evonik Industries AG can be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.