

Chemtura Europe Limited

Directors' report and financial statement

Registered number SCO97824

31 December 2007

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Company information

Directors

P E Boury (resigned 1 June 2007)

J E Malcolm (resigned 30 April 2007)

S James (appointed 30 April 2007)

M Mathieson (appointed 30 April 2007)

Secretary

J E Malcolm (resigned 30 April 2007)

C E Huben (appointed 30 April 2007)

Auditors

KPMG LLP
St James' Square
Manchester
M2 6DS

Registered office

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Directors' report

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

Principal activities

The principal activities of the company is to act as agent for other Chemtura group companies in the marketing and technical support of agricultural and industrial chemicals and the manufacture of plastic extrusion machinery.

Business review and future prospects

The Group continues to expand their operations globally to become competitive in the speciality chemical industry. In order to achieve this, a business and functions review was conducted and a restructuring programme was announced in 2007. The company remains committed to removing non-value-added business elements throughout the organisation as it continues to position itself for the long-term success of the business.

Strategy

The Group's strategy is to strengthen its business portfolio and to reduce operating costs. To achieve these goals the Group is focussing its resources on its core business and divesting non-core businesses and assets and looking to acquire business and assets that will enhance its business portfolio.

Performance

The profit for the period after taxation amounted to £430,000 (2006: £7,624,000). No dividend has been proposed for the current period (2006: £nil).

Risk and Uncertainty

The directors of the company are responsible for all risk management. This is accomplished by regular monthly reporting on all aspects of the business. These reports are reviewed by the directors regularly at Board Meetings.

Another risk to the business is additional regulatory requirements in environmental, health and safety and product registration areas. The use of internal employees and external advisers to monitor compliance with specific laws and regulations will mitigate the risk where possible.

Key Performance Indicators

The group monitors the business internally with a number of performance indicators. These include for example, an Annual Business Plan, and monthly forecasts showing future expenditure and cashflow to help monitor business performance.

As this business comprises predominantly group transactions, it does not follow the normal KPIs of the group as it is not appropriate.

Branches

The company has branches in Hungary, Slovakia, Poland and the Czech Republic.

Research and development

During 2007 a number of new substances were tested and experiments conducted to generate biological and crop safety data. New formulations of existing and new products were developed and tested; formulations were designed for major commercial Seed Treatment and other products; for support of factory manufacture as a consequence of withdrawal of supply of key raw materials from suppliers.

The company has continued its support of 7 existing active substances under EU Directive 91/414/EEC and 98/8/EEC review. In addition, a number of country (re)registrations and extensions of registrations in Europe, Middle-East and Africa were achieved during this period for various end-use products based on our own active substances, as well as for end-use products from Strategic Partners.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows:

PE Boury	(resigned 1 June 2007)
JE Malcolm	(resigned 30 April 2007)
S James	(appointed 30 April 2007)
M Mathieson	(appointed 30 April 2007)

Political and charitable contributions

The company made no political contributions during the year (2006: £nil). Donations to UK charities amounted to £nil (2006: £nil).

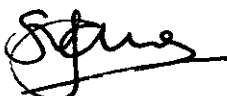
Disclosure of information to auditors

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

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S James
Director

17/12/07

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

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

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable laws 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 company 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 for that period.

In preparing the 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 accounts; 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Chemtura Europe Limited

We have audited the financial statements of Chemtura Europe Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 auditors' 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 4.

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 the 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 group'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.

Independent auditors' report to the members of Chemtura Europe Limited
(continued)

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 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.

KPMG LLP 18 December 2008

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	13,401	15,835
Cost of sales		(12,916)	(14,815)
Gross profit		485	1,020
Impairment of investment	3	-	(7,300)
Operating profit	4-6	485	(6,280)
Other interest receivable and similar income	7	338	21
Dividends receivable		-	14,000
Interest payable and similar charges	8	(7)	(287)
Profit on ordinary activities before taxation		816	7,454
Tax on profit on ordinary activities	9	(385)	170
Profit on ordinary activities after taxation		431	7,624

All results derive from continuing operations.

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2007

There were no recognised gains or losses other than those passing through the profit and loss account for the current and preceding financial year.

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible fixed assets	10		3,073		2,813
Tangible fixed assets	11		1,236		1,575
Investments	12		17,480		17,480
			<hr/>		<hr/>
			21,789		21,868
Current assets					
Debtors	13	19,944		16,339	
Cash at bank and in hand		233		536	
		<hr/>		<hr/>	
		20,177		16,875	
Creditors: amounts falling due within one year	14	(13,320)		(10,408)	
		<hr/>		<hr/>	
Net current assets			6,857		6,467
			<hr/>		<hr/>
Total assets less current liabilities			28,646		28,335
Provisions for liabilities and charges	15		(160)		(280)
			<hr/>		<hr/>
Net assets			28,486		28,055
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		1,697		1,697
Capital contribution account	17		24,780		24,780
Profit and loss account	18		2,009		1,578
			<hr/>		<hr/>
Shareholder's equity	19		28,486		28,055
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 17/12/08 and were signed on its behalf by:



S James
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 company's 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 Company is exempt from preparing group accounts under s228 of the Companies Act 1985 since the Company is a wholly owned subsidiary of another company. The financial statements present information about the company as an individual undertaking and not about its group.

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

As 100% of the voting rights of the company are controlled within the group headed by Chemtura Corporation, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures", and has, therefore, not disclosed transactions or balances with entities which form part of the group.

The financial statements of Chemtura Corporation, within which this company is included, can be obtained from the address shown in note 22.

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Depreciation is not provided on freehold land or assets in the course of construction. Depreciation is provided on other assets to write off cost less the estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	-	4% per annum
Machinery, equipment, fixtures and fittings	-	6½% - 30% per annum

Investments

Investment in subsidiary and associates are included in the balance sheet at cost less any provision for impairment.

Intangible assets and amortisation

Licences obtained are valued on a historic cost basis. Amortisation is provided to write off the cost in equal instalments over a period of ten years once the licence has been brought into use.

Turnover

Turnover in Chemtura Europe Limited is a management recharge from Chemtura Europe Limited to other group companies for administrative services and research and development work provided, which is recognised net of VAT at the point in which the services have been rendered.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases. The company has no finance leases.

Post-retirement benefits

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis therefore, as required by FRS 17 'Retirement Benefits', accounts of the scheme as if it were a defined contribution pension scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Research and development

Expenditure on research and development is capitalised where it meets the requirements of SSAP 13 'Research and Development'. Other expenditure on research and development it is written off as incurred.

Classification of financial instruments issued by the company

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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes (continued)

2 Turnover

	2007 £000	2006 £000
By business sector		
Provision of services	13,401	15,835
	<hr/>	<hr/>
	2007 £000	2006 £000
By geographical area		
Rest of Europe	9,652	12,786
America	3,749	3,049
	<hr/>	<hr/>
	13,401	15,835
	<hr/>	<hr/>

3 Impairment of investment

	2007 £000	2006 £000
Carrying value of Chemtura Corporation UK Limited	7,300	24,780
Discounted cash flow value of investment	-	(17,480)
	<hr/>	<hr/>
Impairment of investment of Chemtura Corporation UK Limited	7,300	7,300
	<hr/>	<hr/>

An impairment loss was recognised in 2006 for the amount by which the carrying value of the acquired investment in Chemtura Corporation UK Limited (the cash generating unit) exceeds its recoverable amount. The recoverable amount of the investment in the subsidiary was referenced with regard to its value in use. The calculation was based on a three year forecast period and a discount rate of 10.5% was applied (consistent with the weighted average cost of capital for Chemtura Europe Limited).

A review of its recoverable amount in 2007 has shown an unrealised gain, which has not been recognised.

4 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Auditors' remuneration:		
Audit of these financial statements	22	28
Tax	3	10
Depreciation and other amounts written off tangible and intangible fixed assets – owned	468	584
Amortisation on intangible assets	34	33
Hire of plant and machinery - rentals payable under operating leases	223	233
Hire of other assets - operating leases	155	161
Research and development expenditure	3,412	2,823
Impairment charge	-	7,300
Exchange loss	18	22
Gain on sale of fixed assets	(11)	-
	<hr/>	<hr/>

Notes (continued)

5 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	-	120
Company contributions to money purchase pension schemes	-	3
	<u>-</u>	<u>123</u>

No remuneration was paid in 2007 as the directors now receive remuneration from Chemtura Manufacturing UK Limited.

	Number of directors 2007	2006
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2007	2006
Selling and distribution	47	51
Administration	9	14
Research, development and technical advice	45	49
	<u>101</u>	<u>114</u>

The aggregate payroll costs of these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	4,351	4,929
Social security costs	622	694
Other pension costs	265	331
	<u>5,238</u>	<u>5,954</u>

7 Other interest receivable and similar income

	2007 £000	2006 £000
Amounts receivable from group undertakings	323	-
Bank interest	15	13
Other	-	8
	<u>338</u>	<u>21</u>

Notes (continued)

8 Interest payable and similar charges

	2007 £000	2006 £000
Amounts payable to group undertakings	7	277
Amounts payable on other loans	-	10
	<u>7</u>	<u>287</u>

9 Taxation

a) Analysis of the tax charge for the year	2007 £000	2006 £000
<i>UK Corporation Tax</i>		
Current tax on profit for the year	369	314
Adjustment in respect of prior years	69	(372)
<i>Foreign tax</i>		
Adjustment in respect of prior years	4	-
Total current tax charge/(credit)	<u>442</u>	<u>(58)</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 15)	(57)	(112)
Tax on profit on ordinary activities	<u>385</u>	<u>(170)</u>

The current tax charge for the year is higher (2006: lower) than the standard rate of taxation in the UK of 30% (2006: 30%). The differences are explained below.

b) Factors affecting the tax charge for the current year	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	815	7,454
Current tax at 30% (2006: 30 %)	<u>245</u>	<u>2,236</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	79	2,221
Non taxable income	-	(4,200)
Depreciation for period in excess of capital allowances	45	57
Adjustments to tax charge in respect of previous periods	73	(372)
Total current tax charge/(credit) (see above)	<u>442</u>	<u>(58)</u>

Factors that may affect future current and total tax charge;
The corporation tax rate applicable to the company changed from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 28% in accordance with FRS 19.

Notes (continued)

10 Intangible fixed assets

	Licences £000
Cost	
At beginning of financial year	2,936
Additions	294
	<hr/>
At end of financial year	3,230
	<hr/>
Amortisation	
At beginning of financial year	123
Charged in financial year	34
	<hr/>
At end of financial year	157
	<hr/>
Net book value	
At 31 December 2007	3,073
	<hr/>
At 31 December 2006	2,813
	<hr/>

11 Tangible fixed assets

	Freehold land and buildings £000	Machinery, equipment, fixtures and fittings £000	Total £000
Cost			
At beginning of financial year	813	5,834	6,647
Additions	-	130	130
Disposals	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
At end of financial year	813	5,962	6,775
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of financial year	541	4,531	5,072
Charge for year	28	440	468
On disposals	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At end of financial year	569	4,970	5,539
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2007	244	992	1,236
	<hr/>	<hr/>	<hr/>
At 31 December 2006	272	1,303	1,575
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investment

	2007 £000	2006 £000
At start of year	17,480	-
Acquisitions	-	24,780
Impairment charge	-	(7,300)
At 31 December 2007	17,480	17,480

Name of acquisition	Country of incorporation	Type of shares held	% of shares acquired	Principal activity
Chemtura Corporation UK Limited	England and Wales	Ordinary £1	100	Manufacture and sale of speciality chemicals

During the prior year following an internal restructuring the company acquired the wholly owned subsidiary of Chemtura Corporation UK Limited from Chemtura USA Corporation on the 19 December 2006. Chemtura Corporation UK Limited holds 53.5% of the share capital of Baxenden Chemicals Limited, a company registered in England and Wales.

13 Debtors

	2007 £000	2006 £000
Trade debtors	35	29
Amounts owed by group undertakings	19,384	15,641
Other debtors	39	106
Prepayments and accrued income	486	563
	19,944	16,339

All debtors fall due within one year.

Notes (continued)

14 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	1,473	1,366
Amounts owed to group undertakings	10,842	8,176
Corporation tax	403	416
Other creditors including taxation and social security	460	317
Accruals and deferred tax liability	142	133
	<u>13,320</u>	<u>10,408</u>

15 Provisions for liabilities and charges

	Onerous lease provision £000	Deferred taxation £000	Total £000
At 31 December 2006	147	133	280
Released during the year	(63)	(57)	(120)
At 31 December 2007	<u>84</u>	<u>76</u>	<u>160</u>

The lease on the premises relates to Watford Office and Thames House. Watford Office was not assigned to a third party and remained unoccupied. Thames House was assigned to a third party, consequently this provision, has now been released during the year.

The elements of deferred taxation are set out below:

	2007 £000	2006 £000
Differences between accumulated depreciation and amortisation and capital allowances	76	133
Deferred tax liability	<u>76</u>	<u>133</u>

Notes (continued)

16 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i> 5,000,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i> 1,697,373 ordinary shares of £1 each	1,697	1,697

17 Capital contribution account

	2007 £000	2006 £000
<i>Fully paid</i> 24,779,999 Paid in capital	24,780	24,780

Chemtura USA transferred its shares in Chemtura Corporation UK Limited to Chemtura Europe Limited for one share of the company, during the year ended 31 December 2006.

18 Profit and Loss Reserve

	2007 £000	2006 £000
At start of year	1,578	(6,046)
Profit for the year	431	7,624
At 31 December 2007	2,009	1,578

19 Reconciliation of movements in shareholder's funds

	2007 £000	2006 £000
Profit for the financial year	431	7,624
Capital contribution reserve	-	24,780
Net addition to shareholder's fund	431	32,404
Opening shareholder's fund	28,055	(4,349)
Closing shareholder's fund	28,486	28,055

Notes (continued)

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2007 Plant and machinery £000	2007 Land and buildings £000	2006 Plant and machinery £000	2006 Land and buildings £000
Operating leases which expire:				
Within one year	111	60	-	-
In the second to fifth years inclusive	112	284	240	344
	<hr/>	<hr/>	<hr/>	<hr/>
	223	344	240	344
	<hr/>	<hr/>	<hr/>	<hr/>

21 Pension scheme

The company operates a defined contribution pension scheme. The pension cost for the year represents contributions paid by the company to the scheme and amounts to £265,000 (2006: £331,000).

There were no prepaid or outstanding contributions at the end of the financial year (2006: £nil).

22 Ultimate parent company and parent undertaking of larger group

At the year end the company's ultimate parent company and controlling party was Chemtura Corporation, a company incorporated in the United States of America. Chemtura Manufacturing Co. Inc., a company incorporated in the United States of America, is the immediate parent undertaking of Chemtura Europe Limited and prepares consolidated accounts. The largest group in which the results of the company and its subsidiary are consolidated is that headed by Chemtura Corporation. Copies of the consolidated financial statements of these groups are available from The Securities Exchange Commission, Washington D.C. 20549.