

INEOS Holdings (Fluor & Silicas) Limited
Annual report
for the year ended 31 December 2002

Registered Number 3938607



INEOS Holdings (Fluor & Silicas) Limited

Annual report

for the year ended 31 December 2002

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INEOS Holdings (Fluor & Silicas) Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is a holding company.

Review of the business

The company has continued to act as a holding company throughout the year.

Results and dividends

During the year to 31 December 2002 the company made a loss before taxation of £8,017,000 (2001: loss £10,788,000). The directors do not recommend the payment of a dividend (2001: £Nil).

Directors and their interests

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

J Reece (resigned 3 September 2002)
T P Crotty
R Bell

J Reece is also a director of the ultimate parent company, INEOS Group Limited, and his interests in the share capital of that company are disclosed in that company's directors report.

At 31 December 2002 the interest of R Bell and TP Crotty in the share capital of INEOS Group Limited was as follows:

	Number of "B" Fluor Shares	Number of "B" Phenol Shares	Number of "B" Silicas Shares	Number of "C" Tracker shares
R Bell	14,060	15,000	15,510	99,999
T P Crotty	47,000	47,000	47,000	150,000

At 31 December 2001 the interest of R Bell and TP Crotty in the share capital of INEOS Group Limited was as follows:

	Number of "B" Fluor Shares	Number of "B" Phenol Shares	Number of "B" Silicas Shares
R Bell	1,406	1,500	1,551
T P Crotty	4,700	4,700	4,700

INEOS Holdings (Fluor & Silicas) Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



R Bell

Secretary

28 April 2003

INEOS Holdings (Fluor & Silicas) Limited

Independent auditors' report to the members of Ineos Holdings (Fluor & Silicas) Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
28 April 2003

INEOS Holdings (Fluor & Silicas) Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 (as restated) £'000
Administration expenses		2	(232)
Operating profit/(loss)	1	2	(232)
Interest receivable and similar income	4	25,946	27,927
Interest payable and similar charges	5	(33,965)	(38,483)
Loss on ordinary activities before taxation		(8,017)	(10,788)
Tax on loss on ordinary activities	6	(2,719)	2,672
Loss for the financial year	14	(10,736)	(8,116)

All activities of the company relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2002

	Note	2002 £'000	2001 (as restated) £'000
Loss for the financial year		(10,736)	(8,116)
Total recognised losses for the year		(10,736)	(8,116)
Prior year adjustment	14	689	-
Total losses recognised since last annual report		(10,047)	(8,116)

INEOS Holdings (Fluor & Silicas) Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 (as restated) £'000
Fixed assets			
Investments	7	9,770	9,750
Current assets			
Debtors:			
- amounts falling due within one year	9	15,254	7,821
- amounts falling due after more than one year	9	273,464	273,464
Cash at bank and in hand		2,015	3,475
		290,733	284,760
Creditors: amounts falling due within one year	10	(6,817)	(1,122)
Net current assets		283,916	283,638
Total assets less current liabilities		293,686	293,388
Creditors: amounts falling due after more than one year	11	(312,538)	(302,193)
Provisions for liabilities and charges	12	-	689
Net liabilities		(18,852)	(8,116)
Capital and reserves			
Called up equity share capital	13	-	-
Profit and loss account	14	(18,852)	(8,116)
Total equity shareholders' deficit	15	(18,852)	(8,116)

The financial statements on pages 4 to 13 were approved by the board of directors on 28 April 2003 and were signed on its behalf by:



Director

INEOS Holdings (Fluor & Silicas) Limited

Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis. The going concern assumption is based on confirmation that the company will be supported by its parent company to finance its activities for twelve months following the date of approval of these accounts.

Basis of preparation

The company is included in the consolidated financial statements of INEOS Group Limited, the ultimate parent undertaking. The company has taken advantage of the Companies Act 1985 (S228) in not preparing consolidated financial statements with these of its subsidiary companies. These financial statements therefore present information about the company as an individual undertaking and not about the group.

Investments

Investments held as fixed assets are carried at cost less any provision for permanent diminution in value.

Cash flow statement

The company is a wholly owned subsidiary of INEOS Group Limited the ultimate parent company. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Foreign currency transaction

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the period in which they occur.

Deferred taxation

Financial Reporting Standard 19 "Deferred taxation" ("FRS 19") has been implemented during the year. Deferred tax is now recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions 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. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. 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 by the balance sheet date. Deferred tax assets and liabilities which have been recognised have not been discounted.

The impact of this has been to increase the tax charge for the year by £689,000 and to increase the tax credit in the previous year by the same amount. Consequently as a result of this prior year adjustment provisions for liabilities and charges at 31 December 2001 have increased by a deferred tax asset of £689,000 with a corresponding increase in reserves.

INEOS Holdings (Fluor & Silicas) Limited

Notes to the financial statements for the year ended 31 December 2002

1 Operating profit/(loss)

	2002 £'000	2001 £'000
Operating profit/(loss) is stated after charging:		
Auditors remuneration	-	-

The audit fee has been included in the overall audit fee for INEOS Fluor Limited.

2 Directors' emoluments

None of the directors received any remuneration for their services provided during the year ended 31 December 2002 (2001: £Nil).

3 Staff number and costs

No employees other than directors of the company during the year (2000: £Nil).

4 Other interest receivable and similar income

	2002 £'000	2001 £'000
Bank deposit interest	26	71
Loans with group undertakings	25,920	27,856
	25,946	27,927

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5 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	-	8,274
Loans with group undertakings	33,965	13,832
Exceptional financing charges	-	16,377
	33,965	38,483

6 Taxation

	2002 £'000	2001 (as restated) £'000
Current tax		
Group relief payable to group company at 30%		
- current year	-	(1,983)
- adjustment in respect of previous periods	2,030	-
Total current tax	2,030	(1,983)
Deferred tax		
Origination and reversal of timing differences	689	(689)
Total deferred tax (see note 12)	689	(689)
Total tax	2,719	(2,672)

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	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	(8,017)	(10,788)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(2,405)	(3,236)
Effects of:		
Permanent timing differences	-	297
Expenses not deductible for tax purposes	286	267
Other short term timing differences	(673)	689
Deferred tax not provided	2,792	-
Adjustment in respect of previous periods	2,030	-
Current tax charge/(credit) for the year	2,030	(1,983)

There are no factors expected to significantly affect the tax charge in future periods.

7 Investments

	2002 £'000	2001 £'000
Cost and net book value		
At 1 January 2002	9,750	-
Acquisition costs capitalised in year	20	9,750
At 31 December 2002	9,770	9,750

Acquisition costs have been capitalised following the acquisition of INEOS Fluor and INEOS Silicas.

INEOS Holdings (Fluor & Silicas) Limited

8 Fixed asset investments

Interests in subsidiary undertakings

The subsidiaries, all of which are wholly owned, are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Fluor Holdings Limited	England	Manufacture of industrial fluorocarbons	Ordinary 100%
INEOS Silicas Holdings Limited	England	Manufacture of Silicas, Silicates and Zeolites	Ordinary 100%

The subsidiaries of INEOS Fluor Holdings Limited and INEOS Silicas Holdings Limited are disclosed in those companies accounts.

9 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Amounts due from group undertakings	15,254	7,821
Amounts falling due more than one year		
Amounts due from group undertakings	273,464	273,464
	288,718	281,285

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10 Creditors – Amounts falling due within one year

	2002	2001
	£'000	£'000
Accruals	-	3
Amounts due to group undertakings	6,817	1,119
	6,817	1,122

11 Creditors – Amounts falling due after more than one year

	2002	2001
	£'000	£'000
Amounts due to group undertakings	312,538	302,193

12 Provisions for liabilities and charges

The potential deferred tax asset which has been provided is as follows:

	2002	2001 (as restated)
	£'000	£'000
Losses	-	689

13 Equity share capital

	2002	2001
	£	£
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

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14 Reserves

	Profit and loss account
	£'000
At 1 January 2002 as previously reported	(8,805)
Prior year adjustment - FRS 19	689
At 1 January 2002 (as restated)	(8,116)
Loss for the financial year	(10,736)
At 31 December 2002	(18,852)

15 Reconciliation of movements in shareholders' deficit for the year ended 31 December 2002

	2002 £'000
Shareholders' funds at 1 January 2002 (as restated)	(8,116)
Loss for the year	(10,736)
Shareholders' deficit at 31 December 2002	(18,852)

16 Contingent liabilities

The company is party to a credit agreement (the "Senior Credit Agreement") dated 23 May 2001. The Senior Credit Agreement comprises of Term Loans ("Term Loan A", "Term Loan B" and "Term Loan C") and a revolving credit facility ("the Revolving Credit Facility"). The total outstanding indebtedness under the Senior Credit Agreement at 31 December 2002 was €623.2 million (2001: €740.7 million). The company is a guarantor under the Senior Credit Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

17 Related party transactions

The ultimate parent company and controlling party is INEOS Group Limited. As 100% of the company's voting rights are controlled within the group headed by INEOS Group Limited, the company has not disclosed transactions with fellow subsidiaries in accordance with the exemption under the terms of Financial Reporting Standard No. 8.

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18 Parent undertaking and controlling party

The directors regard INEOS Intermediate Holding (Fluor & Silicas) Limited, a company incorporated in the United Kingdom to be the immediate parent undertaking of the company. The directors regard INEOS Group Limited, a company incorporated in the United Kingdom to be the ultimate parent undertaking of the company. Copies of INEOS Group Limited consolidated financial statements can be obtained from the Company Secretary, INEOS Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Group Limited.