

INEOS Fluor International Limited
Annual report
for the year ended 31 December 2003

Registered Number 4110462



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INEOS Fluor International Limited
Annual report
for the year ended 31 December 2003
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INEOS Fluor International Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of INEOS Fluor International Limited is to act as the administration company for the European branches, account managers and service centres of the INEOS Fluor Group. The company also acts as a manufacturer of flavour and fragrance extracts.

Review of the business

At the end of 2003, the company decided to suspend its activities relating to the Flavours and Fragrances business.

Results and dividends

The company's loss before taxation for the financial year was £726,000 (2002: £767,000). The directors do not recommend payment of a dividend (2002: £Nil).

Directors and their interests

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

TP Crotty
R Bell
A Kaye
S Barnes (Resigned 31 August 2003)
D Price
D Gekiere (Appointed 31 August 2003)

R Bell and TP Crotty have an interest in the shares of the ultimate parent company, INEOS Group Limited, and their interests in the shares of that company are disclosed in the directors report of INEOS Investment Holdings Limited and INEOS Holdings (Fluor and Silicas) Limited respectively.

D Gekiere and D Price have an interest in the shares of INEOS Group Limited, and their interests in the shares of that company are disclosed in the directors' report of INEOS Fluor Holdings Limited.

At 31 December 2003 and 31 December 2002 the interest of A Kaye in the 0.001p ordinary share capital of INEOS Group Limited was as follows:

"C" Tracker Shares	
Number of shares	16,543

Political and charitable contributions

The company made no political or charitable contributions during the year (2002: £Nil).

INEOS Fluor International 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.

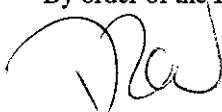
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board



R Bell

Secretary

30 April 2004

INEOS Fluor International Limited

Independent auditors' report to the members of Ineos Fluor International Limited

We have audited the financial statements which comprise the profit and loss account, 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
30 April 2004

INEOS Fluor International Limited

Profit and loss account for the year ended 31 December 2003

	Year ended 31 December 2003			Year ended 31 December 2002			
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Turnover and gross profit		-	14	14	-	36	36
Selling and distribution		-	(1)	(1)	-	(3)	(3)
Administration expenses		8	(740)	(732)	(15)	(776)	(791)
Operating profit / (loss)	1	8	(727)	(719)	(15)	(743)	(758)
Interest payable and similar charges	4			(7)			(9)
Loss on ordinary activities before taxation				(726)			(767)
Tax on loss on ordinary	5			(12)			227
Loss for the financial year	12			(738)			(540)

Discontinued operations relates to the closure after the year end of the Flavours and Fragrances extraction business.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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.

INEOS Fluor International Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	6	70	80
		70	80
Current assets			
Debtors	7	345	297
Cash at bank and in hand		25	-
		370	297
Creditors - Amounts falling due within one year	8	(1,628)	(827)
Net current liabilities		(1,258)	(530)
Total assets less current liabilities		(1,188)	(450)
Creditors - Amounts falling due after more than one year	9	(100)	(100)
Net liabilities		(1,288)	(550)
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(1,288)	(550)
Total shareholders' deficit		(1,288)	(550)

The financial statements on pages 4 to 12 were approved by the board of directors on 30 April 2004 and were signed on its behalf by:



Director

INEOS Fluor International Limited

Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. 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.

Goodwill

On 9 January 2001 INEOS Fluor Limited bought the Klea business from ICI Plc and created the INEOS Fluor Group. As part of this transaction INEOS Fluor International Limited acquired the European branches, account managers and service centres of ICI Klea. Goodwill arising on this acquisition has been capitalised and is amortised through the profit and loss account over a period of ten years, estimated by the directors to be the useful economic life.

Deferred taxation

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.

Cashflow statement

The company is a wholly owned subsidiary of INEOS Fluor Holdings Limited and is ultimately consolidated within the financial statements of INEOS Group Limited. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Foreign currency

Transactions in foreign currencies are recorded at the rate of 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 year in which they occur.

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Notes to the financial statements for the year ended 31 December 2003

1 Operating loss

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
<hr/>		
Operating loss is stated after crediting:		
Amortisation of goodwill	10	10

The audit fee has been included in the overall audit fee for INEOS Fluor Limited and is not separately recharged to the company.

2 Directors' emoluments

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
<hr/>		
Aggregate emoluments	95	108

The directors' emoluments cost is borne by INEOS Fluor Limited.

One director has benefits accruing under a defined benefit pension scheme. The FRS 17 disclosures in relation to this scheme are disclosed in the financial statements of INEOS Fluor Limited.

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3 Staff number and costs

The average number of persons employed by the company (excluding directors) during the year was 6 (2002: 8).

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Wages and salaries	178	131
Social security costs	46	16
Pension costs	13	13
Other	6	2
	243	162

4 Interest payable and similar charges

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loan with group undertaking	7	9

5 Tax on loss on ordinary activities

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current tax		
Group relief receivable from group companies at 30%		
- current year	(215)	(227)
- adjustments in respect of prior periods	227	-
Total tax	12	(227)

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	2003 £'000	2002 £'000
Loss on ordinary activities before taxation	(726)	(767)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(218)	(230)
Effects of:		
Expenses not deductible for tax purposes	3	3
Adjustments in respect of prior periods	227	-
Current tax charge / (credit) for the year	12	(227)

There are no factors expected to significantly affect the tax charge in future periods. Deferred tax assets of £227,000 (2002: £227,000) have not been recognised, as they are not expected to be recoverable. These relate to tax losses of £757,000 (2002: £757,000).

6 Goodwill

	£'000
Cost	
At 31 December 2002 and 2003	100
Amortisation	
At 31 December 2002	20
Amortisation in the period	10
At 31 December 2003	30
Net book amount	
At 31 December 2003	70
At 31 December 2002	80

As explained in the accounting policies set out on page 6, on 9 January 2001 the company acquired the European branches, account managers and service centres of ICI Klea with resultant goodwill of £100,000.

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7 Debtors

	2003	2002
	£'000	£'000
Prepayments and accrued income	-	70
Amounts due from group undertakings	345	227
	345	297

8 Creditors – Amounts falling due within one year

	2003	2002
	£'000	£'000
Bank overdraft	-	2
Trade creditors	18	9
Amounts due to group undertakings	1,610	816
	1,628	827

9 Creditors – Amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts due to group undertakings	100	100

10 Equity share capital

	2003	2002
	£	£
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1 ordinary shares of £1	1	1

INEOS Fluor International Limited

11 Reserves

	Profit and loss account
	£'000
At 31 December 2002	(550)
Loss for the financial year	(738)
At 31 December 2003	(1,288)

12 Reconciliation of movements in equity shareholders' deficit for the year ended 31 December 2003

	2003	2002
	£'000	£'000
Opening equity shareholders' deficit	(550)	(10)
Loss for financial year	(738)	(540)
Closing equity shareholders' deficit	(1,288)	(550)

13 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 2003 was €515.6 million (2002: €623.2 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.

14 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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15 Parent undertaking and controlling party

The directors regard INEOS Fluor Holdings 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.