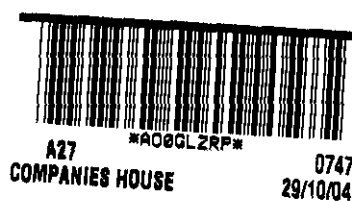


National Starch & Chemical Limited

**Directors' report and financial
statements**

Registered number 226707

31 December 2003



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Directors' report

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

Principal activities

There was no significant change in the principal activities of the company which consisted of the manufacture and marketing of adhesives, speciality polymers, synthetic resin products and chemically and thermally modified starches, primarily for industrial use.

Business review

The directors consider that in the conditions prevailing during the year, the development of the company's business and its financial position at the end of the year was satisfactory. The directors do not expect any development in the company's business in 2004 to be significantly different from its present activities.

The company has traded profitably in 2004 to date and as such is expected to return to a positive net asset position by the end of 2004.

Profit and dividends

The company generated £12,981,000 (2002: £7,644,000) profit after tax before exceptional items of £20,340,000 (2002: exceptional gain £1,789,000) relating to the closure of the Tilbury plant. No dividend has been declared during the year (2002: £21,700,000).

Research and development

The company's research and development laboratories continue to investigate new methods and materials both to improve the quality and performance of the existing brands and to provide opportunities for the introduction of the new products.

Tangible fixed assets

In view of the fact that the land and buildings are used for productive and distributive activities and are not held for resale, the directors consider that the difference between their market value and the value at which they are included in the balance sheet is not of such significance as to require that attention be drawn to it as would be required by Schedule 7 (Part 1) of the Companies Act 1985.

Policy on payment of creditors

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the terms and conditions being met by the supplier.

Trade creditors of the Company at 31 December 2003 were equivalent to 57 days purchases (2002: 48 days), based on the total amount invoiced by suppliers to the Company during the year.

Directors' report (continued)

Directors and directors' interests

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

A Bate
 J Hunter (resigned 5th January 2004)
 M Bryden (appointed 22nd October 2003)
 M Harrison (appointed 5th January 2004)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of ultimate parent company, Imperial Chemical Industries PLC:

	Class of share	Interest at end of year	Interest at start of year or date of appointment
J Hunter	Ordinary	-	176

According to the register of directors' interests, no rights to subscribe for shares in or debentures of Imperial Chemical Industries PLC were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

Senior Staff Share Options

	At start of year	Number of options during the year		At end of year	Exercise price (p)	Date from which exercisable	Expiry date
			Lapsed				
A Bate	11,531	-	-	11,531	433	8/3/2002	7/3/2009
	18,112	-	-	18,112	424	21/2/2003	20/2/2010
	38,668	-	-	38,668	429	5/3/2004	4/3/2011
	62,544	-	-	62,544	284	13/3/2005	12/3/2012
	<u>130,855</u>	<u>-</u>	<u>-</u>	<u>130,855</u>			
J Hunter	18,628	-	-	18,628	429	5/3/2004	4/3/2011
	21,566	-	-	21,566	284	13/3/2005	12/3/2012
	<u>40,194</u>	<u>-</u>	<u>-</u>	<u>40,194</u>			

Directors' report *(continued)*

Directors and directors' interests *(continued)*

Sharesave Option scheme

	At start of year	Number of options during the year		At end of year	Exercise price (p)	Date from which exercisable	Expiry Date
		Granted	Lapsed				
A Bate	4,565	-	-	4,565	207	1/2/2008	31/7/2008
	<u>4,565</u>	<u>-</u>	<u>-</u>	<u>4,565</u>			
	754	-	-	754	304	1/2/2006	31/7/2006
	3,495	-	-	3,495	237	1/2/2007	31/1/2007
J Hunter	1,643	-	-	1,643	207	1/2/2008	31/7/2008
	-	2,849	-	2,849	158	1/2/2007	31/7/2007
	<u>5,892</u>	<u>2,849</u>	<u>-</u>	<u>8,741</u>			
	4,253	-	-	4,253	207	1/2/2008	31/7/2008
	-	3,812	-	3,812	158	1/2/2009	31/7/2009
M Bryden	<u>4,253</u>	<u>3,812</u>	<u>-</u>	<u>8,065</u>			

During the year, following a rights issue, the options granted under the Senior Staff and Sharesave Option schemes were restated with a revised option price. The adjusted options at the start of the year reflect these changes.

Employment of disabled persons

The following policy has been applied in respect of the employment of disabled persons.

The company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available, and any necessary training is arranged.

Disabled employees generally are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Directors' report *(continued)*

Employee involvement

The company has continued its policy of informing employees about the progress of the company and encouraging involvement at all levels.

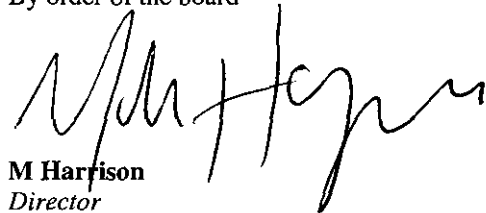
Regular meetings involving all employees are conducted by site directors at which information covering the financial performance of the company and prospects for the future is provided. Employees are encouraged to question the directors about the company's achievements and plans.

Committees representing all sections of the work force meet regularly at the company's sites to discuss business projects, management policies, safety, welfare and other matters of interest and concern to employees.

Auditors

On 22 February 1993 the Company passed a resolution in accordance with Section 386 of the Companies Act 1985 to dispense with the reappointment of auditors annually.

By order of the board



M Harrison
Director

Windsor Court
Petersfield Avenue
Slough
Berkshire
SL2 5DS

22/10/ 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Arlington Business Park

Theale

Reading

RG7 4SD

United Kingdom

Report of the independent auditors to the members of National Starch & Chemical Limited

We have audited the financial statements on pages 7 to 20.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company 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 as 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 October 2004

Profit and loss account

For the year ended 31 December 2003

	Note	2003 £000 Before exceptional items	2003 £000 Exceptional Items	2003 £000 Total	2002 £000 Before exceptional items	2002 £000 Exceptional Items	2002 £000 Total
Turnover	2	104,802	-	104,802	105,791	-	105,791
Cost of sales	4	(76,253)	-	(76,253)	(73,575)	-	(73,575)
Gross profit		28,549	-	28,549	32,216	-	32,216
Distribution costs		(10,430)	-	(10,430)	(11,138)	-	(11,138)
Administrative expenses	3-6	(7,757)	(20,340)	(28,097)	(10,213)	2,344	(7,869)
Operating (loss)/profit	3-6	10,362	(20,340)	(9,978)	10,865	2,344	13,209
Interest payable	7	(603)	-	(603)	(452)	-	(452)
(Loss)/profit on ordinary activities before taxation		9,759	(20,340)	(10,581)	10,413	2,344	12,757
Tax on profit on ordinary activities	8	3,222	-	3,222	(2,769)	(555)	(3,324)
(Loss)/profit for the financial year		12,981	(20,340)	(7,359)	7,644	1,789	9,433
Dividends proposed	9			-			(21,700)
Amount transferred (from) reserves				(7,359)			(12,267)
Retained profit brought forward				990			13,257
Retained (loss)/profit carried forward	18			(6,369)			990

The profit/(loss) for each financial year represents the total recognised gains/losses of that year from continuing operations.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Tangible assets	10		12,827		21,098
Investments	11		72		72
			<hr/>		<hr/>
			12,899		21,170
Current assets					
Stocks	12	6,738		7,267	
Debtors	13	26,078		19,548	
Cash at bank and in hand		443		831	
		<hr/>		<hr/>	
		33,259		27,646	
Creditors: amounts falling due within one year	14	(20,139)		(28,380)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			13,120		(734)
			<hr/>		<hr/>
Total assets less current liabilities			26,019		20,436
Creditors: amounts falling due after more than one year	15	(19,784)		(15,534)	
Provisions for liabilities and charges	16	(12,603)		(3,911)	
		<hr/>		<hr/>	
Net (liabilities)/assets			(6,368)		991
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		1		1
Profit and loss account	18		(6,369)		990
			<hr/>		<hr/>
Equity shareholders' funds			(6,368)		991
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 22 October 2004 and were signed on its behalf by:


M Harrison
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
(Loss) / profit for the financial year	<i>18</i>	(7,359)	9,433
Dividends		-	(21,700)
		<hr/>	<hr/>
Opening Shareholders' funds		(7,359) 991	(12,267) 13,258
		<hr/>	<hr/>
Closing Shareholders' funds		(6,368)	991
		<hr/>	<hr/>

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 except as noted below.

The company has followed the transitional arrangements of FRS 17 'Retirement Benefits' in these 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's balance sheet shows net liabilities to £6,368,000 at 31 December 2003 as a result of the exceptional charge of £20,340,000 incurred in the year. However the balance sheet also shows net current assets of £13,120,000 and the ultimate parent company has indicated that, although the £19,784,000 owed to it is due for repayment in February 2005, it does not currently expect to call for repayment within 12 months of the date of approval of these accounts. Furthermore the unaudited management accounts of the company to 30 September 2004 show that the company has traded profitably since 31 December 2003. Consequently the directors consider that it continues to be appropriate to prepare the accounts on a going concern basis.

As the cash flow statement included in the consolidated accounts of the ultimate parent undertaking, Imperial Chemical Industries PLC, complies with the conditions of Financial Reporting Standard No 1 (revised) – "Cash Flow Statements" – the company is exempt from the requirement to prepare a separate cash flow statement.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	- Over the period of the lease or 40 years, whichever is less
Plant and machinery	- 4 to 17 years

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate set at the beginning of each month. Any gains or losses are included in the profit and loss account. Forward cover is taken out for expected foreign exchange transactions. 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.

Leases

Lease rental payments in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term, except in cases where another systematic and rational basis is more appropriate.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the straight line method.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company participates in a 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 and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution 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.

Employee Share Schemes

Imperial Chemical Industries PLC operates a share option scheme for directors and senior staff (Senior Staff Scheme) and another scheme for all UK employees meeting minimum service requirements (Sharesave Scheme). Shares required for the Senior Staff Scheme are purchased in the market by a trust. Under the Sharesave Scheme the maximum number of shares made available for issue under option during a 10 year period is 5% of the company's ordinary share capital in issue on 21 March 1994.

The prices at which options under the Senior Staff Scheme are granted must not be less than the nominal value of an ordinary share nor less than the average of the middle market quotations of Imperial Chemical Industries PLC ordinary shares on the London Stock Exchange on the 5 business days immediately preceding the date on which the option is offered. Options under this scheme expire after 10 years.

Under the Sharesave Scheme the price at which options are granted must not be less than the greater of the nominal value of an ordinary share or 80% of the average market value of an ordinary share on the 3 dealing days preceding the day on which the offer of options is made. The total purchase cost in respect of options granted under the Sharesave Scheme is deducted from salary over a period of 3 or 5 years at the choice of the employee.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes (continued)

1 Accounting policies (continued)

Deferred Taxation

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Turnover

The turnover includes group sales of £28,421,000 (2002: £27,420,000) and represents sales at invoiced value, excluding value added tax.

	2003 £000	2002 £000
<i>By geographical market</i>		
United Kingdom	61,421	61,639
Europe	42,128	42,056
Rest of World	1,253	2,096
	<hr/> 104,802 <hr/>	<hr/> 105,791 <hr/>

3 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	97	78
Other services – fees paid to the auditor and its associates	14	54
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,626	1,344
Operating lease expenditure:		
Hire of plant and machinery	333	625
Hire of other assets	770	742
Research and development expenditure	915	873
Loss on disposal of fixed assets	17	186
	<hr/>	<hr/>

The difference between the depreciation charge in note 10 (£9,631,000) and the depreciation charge made to the profit and loss account (£1,626,000) is due to an exceptional impairment of assets.

Notes (continued)

4 (a) Exceptional operating items

During 2001, the company undertook a series of restructuring actions which all relate to continuing operations. In the year to 31 December 2002 the remaining balances at certain operations were released totalling £68,000.

During 2003 the company announced the closure of the Tilbury plant. The company also undertook a series of restructuring actions which all relate to continuing operations.

	2003 £000	2002 £000
Restructuring provisions	22,304	(68)
Profit on disposal of land (see 4b)	-	(2,276)
Profit on sale of business (see 4b)	(1,964)	-
	<u>20,340</u>	<u>(2,344)</u>

4 (b) Exceptional items

During 2002 consideration of £3,881,000 was paid by Bryant Homes for the site at Braunston. The sale of this land generated a profit of £2,276,000.

During 2003 consideration of £1,964,000 was received for the sale of the PermaBond anaerobic adhesive and cyanoacrylate adhesive businesses.

5 Remuneration of directors

The directors, including the chairman, are employed as managers by Imperial Chemical Industries PLC and are remunerated by other National Starch group companies in respect of their services to the National Starch group as a whole. Their emoluments are dealt with in the National Starch & Chemical (Holdings) Limited accounts and they receive no emoluments from the company.

6 Staff numbers and costs

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

	Number of employees	
	2003	2002
Production	132	121
Marketing, selling and distribution	94	93
Administration	38	32
	<u>264</u>	<u>246</u>

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	9,565	8,906
Social security costs	863	1,010
Other pension costs	1,267	1,177
	<u>11,695</u>	<u>11,093</u>

Notes (continued)

7 Interest payable

	2003 £000	2002 £000
Interest payable to the ultimate parent undertaking	606	458
Third party interest receivable	(3)	(6)
	<u>603</u>	<u>452</u>

8 Taxation

Analysis of charge for the period

	2003 £000	2002 £000
<i>UK corporation tax</i>		
UK corporation tax charge at 30% (2002: 30%)	<u>2,756</u>	<u>2,101</u>
Total current tax	2,756	2,101
<i>Deferred tax</i>		
Origination / reversal of timing differences	(5,992)	1,462
Prior year adjustment	<u>14</u>	<u>(239)</u>
Total deferred tax	(5,978)	1,223
Tax on profit on ordinary activities	<u>(3,222)</u>	<u>3,324</u>

The UK corporation tax charge for 2003 includes £nil of taxation on exceptional items (2002: £555,000).

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2002: lower), than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below;

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>(10,581)</u>	<u>12,757</u>
Current tax at 30% (2002: 30%)	(3,174)	3,827
<i>Effects of:</i>		
Disallowable expenses	47	64
Capital allowances for period (in excess of) / less than depreciation	2,084	(708)
Increase/(decrease) in taxed provisions	3,906	(755)
Double tax relief – Royalty Income	(112)	-
Loss on sale of fixed assets	5	-
Indexation allowances	-	(327)
Total current tax charge (see above)	<u>2,756</u>	<u>2,101</u>

Notes (continued)

9 Dividends

	2003 £000	2002 £000
Final ordinary dividend (recommended)	-	21,700

10 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost				
At beginning of year	6,219	36,816	2,194	45,229
Additions	174	1,203	-	1,377
Disposals	(7)	(19)	-	(26)
Transfer of completed assets	-	828	(828)	-
At end of year	6,386	38,828	1,366	46,580
Depreciation				
At beginning of year	3,336	20,795	-	24,131
Charge for year	75	9,556	-	9,631
On disposals	(1)	(8)	-	(9)
At end of year	3,410	30,343	-	33,753
Net book value				
At 31 December 2003	2,976	8,485	1,366	12,827
At 31 December 2002	2,883	16,021	2,194	21,098

Notes (continued)

11 Fixed asset investments

	2003 £000	2002 £000
Shares in group undertakings	72	72

There are no investments in listed shares.

Investment in group undertakings

The investment is in subsidiary and associate undertakings of the company. Their names together with their country of incorporation/registration are listed below. The investment is in ordinary shares and the proportion held is also shown below:

<i>Name of company</i>	<i>Country of incorporation/ registration</i>	<i>Description of share held</i>	<i>Proportion of nominal value of shares held</i>
Bondmaster Ltd	England and Wales	249,000 ordinary shares of £1 each	100%
Williams Adhesives Ltd	England and Wales	2,450 ordinary shares of £1 each	49%
Avdel Adhesives Ltd	England and Wales	2 ordinary shares £1 each	100%

In the opinion of the directors, the value of the investment in subsidiary and associate undertakings consisting of shares and amounts owing, is not less than the amount at which the investment is stated in the balance sheet. Group accounts have not been prepared because the company is a wholly owned subsidiary of a United Kingdom company.

12 Stocks

	2003 £000	2002 £000
Raw materials and consumables	1,042	1,299
Finished goods and goods for resale	5,696	5,968
	<u>6,738</u>	<u>7,267</u>

13 Debtors

	2003 £000	2002 £000
Trade debtors	13,388	12,796
Amounts owed by group undertakings	6,478	5,010
Other debtors	2,360	1,742
Deferred tax asset	3,852	-
	<u>26,078</u>	<u>19,548</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdrafts	60	8
Trade creditors	7,959	8,781
Amounts owed to group undertakings	6,527	14,548
Corporation tax	2,727	2,053
Other taxes and social security	59	205
Accruals and deferred income	2,807	2,785
	<u>20,139</u>	<u>28,380</u>

15 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Indebtedness with ultimate parent company	<u>19,784</u>	<u>15,534</u>

The indebtedness with the ultimate parent company represents a loan from the ultimate parent company who is a 100% shareholder. The loan is repayable on 28 February 2005.

16 Provisions for liabilities and charges

	Restructuring £000	Deferred taxation £000	Total £000
At beginning of year	1,785	2,126	3,911
Charge to the profit and loss account	20,340	(2,126)	18,214
Utilised during the year	(9,522)	-	(9,522)
	<u>12,603</u>	<u>-</u>	<u>12,603</u>

The amount provided for deferred taxation represents the full potential liability and is made up as follows:

	2003 £000	2002 £000
Accelerated capital allowances	620	2,707
Short term timing differences	(4,472)	(581)
	<u>(3,852)</u>	<u>2,126</u>

Notes (continued)

17 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted and fully paid</i>		
1,025 ordinary shares of £1 each	1,025	1,025

18 Reserves

	2003 £000	2002 £000
At 1 January 2003	990	13,257
Profit for the year	(7,359)	9,433
Dividends declared	-	(21,700)
At 31 December 2003	(6,369)	990

19 Contingent liabilities

The company has entered into an agreement for corn to be processed and products to be supplied to its Tilbury business for the manufacture of modified starch products. This agreement is on an annual basis and the company is committed to order defined minimum quantities at pre-determined prices. At the present time, in the opinion of the directors, no losses will arise from this agreement.

As a matter of course, the company enters into contracts for the forward purchase of maize. No losses are expected to arise on unfulfilled contracts.

None of the above contingent liabilities are expected to give rise to any material loss.

Notes (continued)

20 Commitments

- a) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2003 £000	2002 £000
Contracted	43	293

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

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	6	121	8	161
In the second to fifth years inclusive	553	296	757	482
Over five years	525	-	457	-
	<u>1,084</u>	<u>417</u>	<u>1,222</u>	<u>643</u>

21 Ultimate parent company

The ultimate parent company is Imperial Chemical Industries PLC and the immediate holding company is National Starch & Chemical (Holdings) Limited, both registered in England and Wales.

The only group in which the results of the company are consolidated is that headed by the ultimate parent company, Imperial Chemical Industries PLC. The consolidated accounts of this group are available from Imperial Chemical Industries PLC, 20 Manchester Square, London, W1U 3AN.

22 Related party transactions

The company has not disclosed transactions with fellow subsidiaries where the group share holding is above 90% in accordance with the exemption under the terms of Financial Reporting Standard No 8.

Notes (continued)

23 Pension Schemes

The company participates in the ICI Speciality Chemicals Pension Fund ('the Specialities Fund').

The scheme, which was closed to new members on 1 October 2000, provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of the Fund was at 31 March 2002. The financial assumptions adopted for the 2002 valuation are as follows:

Long term annual rate of	%
Investment return	
- on new money	6.5
- on existing money	6.0
Salary increase	4.0
Price inflation	2.5
Pension increase (non Guaranteed Minimum Pension component)	2.5

At 31 March 2002 the Fund had assets with a market value of £259.4 million. The actuarial value of these assets represented 95% of the benefits that had accrued as at 31 March 2002, on the basis that the Fund continues.

The contributions by the company were 13.7% of pensionable pay until 31 July 2002, then 12.8% of pensionable pay until 31 December 2002, then 16.9% of pensionable pay until 31 July 2003 and then 16.0% of pensionable pay from 1 August 2003 for Main Section Members. An additional 3% of pensionable pay for SERA members. No additional contributions have been paid in by Imperial Chemical Industries PLC since the March 2002 valuation to meet any assessed past service deficit.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

Employees joining the company scheme since September 2000 participate in the 'Benefit Builder' pension scheme which is a defined contribution scheme.

The ICI UK Retirement Plan – "Benefit Builder Plan"

Employees joining the company since September 2000 participate in the 'Benefit Builder' pension scheme which is a defined contribution scheme.

Pension costs

The pension cost, charged wholly to the profit and loss account, was £1,131,000 for the year (2002:£1,177,000).